

AUDIT COMMITTEE

Agenda Item 33

Brighton & Hove City Council

Subject:	Annual Governance Statement Update		
Date of Meeting:	30th September 2008		
Report of:	Director of Finance & Resources		
Contact Officer:	Name:	Ian Withers	Tel: 29-1323
	E-mail:	lan.withers@brighton-hove.gov.uk	
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The City Council has a statutory duty under the Accounts and Audit Regulations 2003 (amended 2006), to publish an Annual Governance Statement. For 2007/08 this was reviewed and approved by the Audit Committee in June 2008.
- 1.2 Since the approval of the statement, it has been further reviewed by the Audit Commission as part of their external audit work. The statement has subsequently been amended to include two minor suggestions arising from this process and one further relating to an action on partnerships to improve clarity. These are considered not to be significant and not to impact on the previous approval.
- 1.3 The purpose of this report is to advise Members of the Audit Committee on the amendments made to the Annual Governance Statement.

2. RECOMMENDATION:

- 2.1 Members are asked to note the amendments made to the Annual Governance Statement.

3. AMENDMENTS MADE TO ANNUAL GOVERNANCE STATEMENT

- 3.1 Table 1 shows the three minor amendments made to the statement. A full copy of the revised statement is shown for information at Appendix 1.

Table 1: Amendments to Annual Governance Statement

Item	From	To
Page 5 – Compliance – Para. 1	Other policies and strategies covering both internal and external issues are available to staff and the public via the council intranet and internet respectively and can be found on the council website at www.brighton-hove.gov.uk	Other policies and strategies covering both internal and external issues are available to staff and the public via the council intranet and internet respectively. Those that are available to the public can be found on the council website at www.brighton-hove.gov.uk .
Page 7 – Significant Governance Issues Arising	Move bullet point one under Actions Completed, Introduction of a new council constitution	To Actions in Progress as not actioned until May 2008. (As per our discussion in May)
Page 8 – Item 10 – Partnership Agreements	Complete Section 75 agreement	Review of Section 75 agreement with Sussex Partnership Trust following move to NHS Foundation Status. (More accurately reflects the position and was verbally raised at Audit Committee Meeting)

4. FINANCIAL & OTHER IMPLICATIONS:

4.1 Financial Implications:

Sound corporate governance and proper systems of internal control are essential to the financial health and reputation of the council.

4.2 Legal Implications:

The production of the statement meets the requirements of the Accounts and Audit Regulations 2003 (Amended 2006) and Comprehensive Performance Assessment.

4.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

4.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

4.5 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.

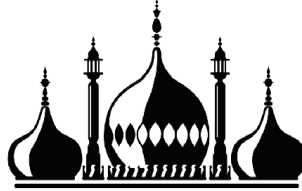
SUPPORTING DOCUMENTATION

Appendices:

1. Amended Annual Governance Statement 2007/08

Background Documents

1. Brighton & Hove City Council's Code of Corporate Governance
2. CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2006
3. Accounts & Audit Regulations 2003 (Amended 2006)



Brighton & Hove City Council

ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

Corporate governance is the system by which the council directs and controls its functions and relates to the community. A key aspect of corporate governance is the requirement to put into place “effective risk management systems, including systems of internal control”. Brighton & Hove City Council is committed to the highest standards of corporate governance as outlined in this Annual Governance Statement.

Annual Governance Statement for the year ended 31st March 2008

1. BACKGROUND

In discharging this overall responsibility, the council is also responsible for ensuring that there is a sound system of Corporate Governance which facilitates the effective exercise of the council functions and which includes arrangements for the management of risk.

The Department of Communities and Local Government recognise “proper practice” in relation to Corporate Governance, as contained in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2007)*. The new “proper practice” builds on existing disclosure statement requirements by extending the existing legislative requirements, governance principles and management processes relating to the whole organisation and the activities through which it accounts to, engages with and leads its community.

This Annual Governance Statement summarises how the council has complied with the code.

2. SCOPE OF RESPONSIBILITY

Brighton & Hove City Council through its elected Members and officers, 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. In discharging this accountability, Members and officers are responsible for putting in place and maintaining, proper arrangements for the governance of the council affairs and the stewardship of the resources at its disposal. To this end the council has approved and adopted a Constitution and a Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on our website www.brighton-hove.gov.uk.

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.

3. THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and cultures and values by which the council is directed and controlled and its activities through which it accounts 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.

For 2007/08 the overall governance responsibilities were charged to the Policy & Resources Committee. As result of the recent constitutional change this has now moved for 2008/09 onwards, to the Audit and Governance Committees.

The role of approving this Statement and recommending the Code of Corporate Governance for adoption by full council falls to the Audit Committee. Also the responsibility for the approval of the Statement of Accounts and the subsequent Audit Commission Governance Report falls to the Audit Committee.

The council has agreed a constitution which sets out how the council operates, 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.

4. POLICY AND DECISION MAKING

In discharging its statutory duties in the provision of services the constitution provides details of the decision making process for the council as a whole.

The council's constitution is available on our website and is reviewed by the Monitoring Officer on a regular basis and regular reports are received by the Governance Committee and council relating to proposed changes. The Executive are responsible for taking most operational decisions. Key decisions required are published in advance via the forward plan, which is published at monthly intervals. All Member meetings held by the council are open to the public, unless the items being discussed are considered to be private under the Local Government Act 1972; these will include staffing, legal matters and those of a contractual nature.

The council's Overview and Scrutiny Commission and a further five Overview and Scrutiny Committees scrutinise all matters, executive decisions and service provision.

5. ESTABLISHING AND MONITORING OF CORPORATE AND SERVICE OBJECTIVES

The council three year Corporate Plan is approved by Members and provides details of the council corporate priorities and targets for the forthcoming year and reports its performance for the previous year. Targets are reviewed and updated on an annual basis.

Copies can be found on our website at: <http://www.brighton-hove.gov.uk> . Due to a change in the council's political administration during 2007/08, the updating of the Corporate Plan was not completed during the year. However the updated version is due to go to Cabinet in June 2008 for approval.

The Corporate Plan contains the Corporate Priorities of the council and these are fed down through to directorate development plans, individual service business plans and individual performance appraisals, the "Golden Thread".

This Corporate Plan sets out the council targets for both National and Local Performance Indicators. These targets are cascaded to service business plans and are time specific. Performance is monitored by the Chief Officers Management Team (TMT) and the Executive on a quarterly basis giving details of the progress to date and what management action is being taken to correct any adverse performance.

6. USE OF RESOURCES

The effective targeting and usage of our resources has always been a corporate priority, and this is achieved in several ways.

The council produces a three year Medium Term Financial Strategy (MTFS), annual budget setting and service business planning.

The council is subject to an annual assessment by the Audit Commission on how well it manages and uses its resources and is an important part of the Comprehensive Performance Assessment (CPA) framework. The Use of Resources (UoR) assessment evaluates how well local authorities manage their resources to support their strategic priorities, improve services and deliver value for money. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance, value for money and effective financial reporting arrangements. These should support the council in the achievement of its priorities and improving services, whilst delivering value for money.

The Assessment covers five themes: financial reporting, financial management, financial standing, internal control and value for money. The council was assessed principally on its 2006/07 performance and the Audit Commission reported the outcome in December 2007. Their overall conclusion is that *the council has maintained strong arrangements in place for financial management and internal control and that it continues to develop its arrangements to manage and improve value for money.*

The report issued by the Audit Commission on the outcome of the Assessment was presented to Members in March 2008 and identified further areas for improvement and officers are planning actions to address these.

7. COMPLAINTS AND CONFIDENTIAL REPORTING POLICIES

The council operates a formal complaints procedure which is available to both staff and stakeholders either on request or on the council website. The procedure is well documented and complaints referred to the Local Government Ombudsman are reported at every Standards Committee. Outcomes and decisions are summarised in each of these reports. There have been no findings of maladministration against the council for 2007/08.

The council also has a Whistleblowing Policy along with an Anti Fraud Strategy. Staff are informed of these at their induction and are reminded on a regular basis. Both the Whistleblowing Policy and Anti Fraud Strategy are reviewed and updated where necessary on a regular basis.

8. COMPLIANCE

The council has a duty to ensure that all activities undertaken are in accordance with the law. This is discharged in part by the council's Financial Regulations and Contract Standing Orders. Other policies or strategies covering both internal and external issues are available to staff and the public via the council intranet and internet sites respectively. Those that are available to the public can be found on the council website at www.brighton-hove.gov.uk. These include:

- Anti-fraud Strategy
- Whistleblowing Policy
- Freedom of Information
- Anti-money Laundering Policy

All strategies or policies are allocated to a lead officer who is responsible for the periodic review and updating of each.

9. REVIEW OF EFFECTIVENESS

The effectiveness of the council corporate governance arrangements is demonstrated by a range of independent procedures and protocols, including:

- Officers Governance Group procedures and associated actions
- Financial management reporting
- Performance management reporting
- Cabinet, Audit and Governance Committees
- Overview and Scrutiny function
- Statutory Officers (Head of Paid Service, Monitoring Officer, S151 Officer and authorised deputies)
- Internal Audit

Collectively these form the basis of the council arrangements and are further validated by independent assessments from various external agencies including:

- External Audit (financial and CPA assessment)
- External Inspectorates

The Director of Strategy & Governance has the responsibility for overseeing the implementation and monitoring the operation of the council's Code of Corporate Governance. This is supported by the continuous internal audit work undertaken by Audit & Assurance Services.

The council has a duty to maintain an effective internal audit service. This responsibility is discharged by the Director of Finance and Resources. The scope of internal audits encompasses the examination and evaluation of the adequacy and effectiveness of the council control environment as a contribution to the proper, economic, efficient and effective use of resources and achievement for value for money.

Audit & Assurance Services undertakes internal audit work in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The outcome of individual audits results in assurance opinions being provided and reported to management on the effectiveness of internal controls and management of risks operating.

In March of each year for the forthcoming financial year, the Annual Internal Audit Strategy and Annual Plan is reported to and agreed by the Chief Officers Management Team (TMT) and the Audit Panel. During 2007/08 regular progress reports were made to the Audit Panel including key issues and recommendation arising from audits undertaken. From 2008/09 onwards, the responsibility will change from the Audit Panel to the Audit Committee.

Significant Internal Audit reviews on governance arrangements (e.g. partnership), internal control, risk management, business planning and system development/implementation have been completed during 2007/08 and reported accordingly. In all these areas the council has shown improvement.

The Head of Audit & Assurance Services provides an assurance opinion to the Audit Committee in June 2008 on the council overall control environment and management of risks operating, based on the reviews completed (and management actions taken) in respect of 2007/08.

The effectiveness of the system of internal audit is reviewed on an annual basis, evidence for which includes self assessment against best professional practice, benchmarking data and external audit views. This is subjected to external peer review and for 2007/08 was reported to the Audit Panel including an agreed action plan for any improvements required.

The council externally appointed auditors for the 2007/08 financial year were the Audit Commission; they principally audit the Statement of Accounts and Comprehensive Performance Assessment. For 2007/08 reports issued by the Audit Commission were presented to the Audit Panel for consideration and comment. For 2008/09 they will report to the Audit Committee.

Risk management is a key element within Corporate Governance, to this end a Risk Management Strategy was adopted and sets out the roles of Members and Officers. It is reviewed annually and for 2007/08 it was agreed by The Management Team, Policy & Resources Committee and Council.

The risk registers that flow from the strategy cover both strategic and operational risks and are reviewed annually as part of service and strategic planning. To ensure that risk is considered in key decision making, all reports presented to Members must include a risk assessment of the actions within the report.

Furthermore, partnership working is now becoming more prevalent within local government, and both the Constitution and Risk Management Strategy are currently being updated to take account of this wider working.

10. SIGNIFICANT GOVERNANCE ISSUES ARISING

The Annual Governance Statement encompasses the previous Statements on Internal Control. Actions from previous years either complete or in progress are shown as follows:

Actions Completed

- Introduction of revised Code of Conduct for Members
- Introduce revised Code of Corporate Governance in accordance with the CIPFA/SOLACE Framework
- Undertaken major consultation exercises with the community for City Views 2007 and Schools Admissions
- Completion of city wide anti fraud campaign "Stamping out Fraud"
- Improvements to the controls and monitoring for the reconciliation of the Financial Information Systems with key interfaced systems
- Introduction of a comprehensive Value for Money review programme targeting specific areas for review
- Review the effectiveness of data quality across the council, in particular relating to performance management information
- Pre-tender risk appraisal process introduced before procurement activity for contracted goods and services
- Achievement of the South East Employers Charter
- Financial Management Standards agreed for Budget Managers

Actions in Progress

- Introduction of a new council constitution
- Approval and publication of new Corporate Plan and Medium Term Financial Strategy
- Updating the Corporate Asset Management Plan and Corporate Procurement Strategy
- Introduction of new local arrangements for Standards for Conduct
- Appraise options for reducing the funding gap to meet the substantial investment backlog in council housing

Actions for Improvement to Governance Framework

There are not considered to be any significant issues and actions arising from the 2007/08 review. However actions for improvement were identified and shown together with actions in the following table:

No.	Area/Issue	Action Planned
1.	Contract Management Improved Value for Money	- Development and introduction of training module for Value for Money in Contract Management.

2.	Business Planning	To implement new business planning process replacing Team Planning Framework.
3.	Anti Fraud & Corruption Strategy	Update the Anti Fraud Strategy to meet the requirements of the Government's Fraud Review.
4.	Constitution	Post implementation review of new constitution arrangements.
5.	Business Continuity Management	Review in relation to partnerships, significant contractors and specifically relating to ICT resilience.
6.	Financial Management – Improved access to tools and training	Financial skills training, improved support delivery through intranet, further developments of Financial Information System.
7.	Pay and Workforce Strategy	Review, update and approve.
8.	HR System - Improved quality of management information	Acquisition and implementation of new IT system to improve control and effectiveness of employees.
9.	People Strategy	Development, approval and implementation.
10.	Partnership Agreements	Review of Section 75 agreement with Sussex Partnership Trust following move to NHS Foundation Trust status.
11.	Community Engagement Framework	Review of the corporate consultation and communications policies.
12.	Key Governance Policies	Review of awareness and compliance across the council.

Signed

Alan McCarthy
Chief Executive
Dated:

Signed

Councillor Mary Mears
Leader of the COUNCIL
Dated: