



Annual Governance Statement 2011/12

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. This Annual Governance Statement outlines the Council's governance arrangements and achievements during 2011/12 and highlights area to further strengthen governance. It 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 conducting an annual review of the Council's governance framework and the publication of this statement.

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.

The Governance Framework

8. The governance framework has been in place at the Council for the year ended 31st March 2012, up to the date of approval of the Statement of Accounts.
9. 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.
10. The key elements of the systems and processes that comprise the Council's governance arrangements are shown below together with explanations of how they are embedded.

Council's Purpose, Vision and Performance Management

11. The Council has a leading role in the 2020 Community Partnership, the Local Strategic Partnership for the City and developed with its partners, a Sustainable Community Strategy. This is regularly reviewed and refreshed to ensure it reflects changes and to maintain effectiveness.
12. The latest Corporate Plan 2011-15, approved by Full Council in October 2011, sets out the Council's direction and five priorities:
 - Tackling inequality
 - Creating a more sustainable city
 - Engaging people who live and work in the city
 - A responsible and empowering employer
 - A Council the City deserves
13. During 2011/12 the Brighton & Hove Strategic Partnership continued to develop 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'.
14. 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, residents' perceptions, measurable improvements in value for money, benchmarking, identification and management of key risks. These are incorporated into the Council's Performance and Risk Management Framework.
15. Performance management processes are embedded throughout the Council and regularly reported in accordance with agreed timescales. During 2011/12, Organisational Health Reports were introduced as a set of key measures around finance and general organisational management, workforce and meeting the needs of the customer. Periodic reports are produced to compare actual performance against targets to aid decision making.

Members and Officers Capacity and Development

16. The success of the Council services relies substantially on the contribution of officers to the planning, development and delivery of services. The Council recognises that the value of staff contributions will be enhanced through clear communication of the Council's expectations, developing staff skills and abilities, providing a safe, healthy, supportive and inclusive working environment.
17. To support this, during 2011/12 the Council implemented a People Strategy with twenty overlapping themes under five headings:
- Culture and Communication
 - Leadership and Management
 - Resourcing
 - Learning and Development
 - Quality of our Working Lives
18. The Council has achieved the highest level of the Equality Framework for Local Government – 'Excellent'. The Council was also re-assessed during 2011/12 for Investors in People (IIP) with success and continued accreditation.

19. The council is committed to developing the capacity of officers through its Performance Development and Planning Scheme. 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.
20. 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.

Roles, Responsibilities and Behaviour

21. To ensure effective leadership throughout the Council, members and officers work together to deliver a common purpose with clearly defined functions and roles through the following:
 - The Council's Constitution, includes details of the roles and responsibilities of the Executive Committees, the full Council and Chief Officers and the rules under which they operate including protocols.
 - The Council's political structure including roles and responsibilities are detailed on the Council's website.
 - The Council's Head of Legal Services is the designated Monitoring Officer with responsibilities for ensuring the lawfulness of decisions taken by the Council, its Committees and officers, providing support and advice on the maintenance of ethical standards and advising the Council's Standards Committee.
22. During 2011/12 Executive decisions were 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 wished to take outside of the framework must be referred to the full Council to decide. Scrutiny committees monitored the work of the Executive Body. The council will be changing its constitution for 2012/13 to introduce a committee system.
23. The Officers Strategic Leadership Board (SLB) includes the Director of Finance, and supports Members in the policy and decision making process.

24. 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.
25. The Standards Committee remit includes promoting and maintaining high standards of conduct and ethical governance. In response to the Localism Act 2011, the Council is considering arrangements for the future to manage conduct.

Communication and Consultation

26. The Community Engagement Framework for the City, introduced by the Brighton & Hove Strategic Partnership, aimed to improve the ways in which citizens and communities can influence and shape services through improved communication.
27. Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. These include the Council's publication City News distributed quarterly to nearly 100,000 households, the Council Tax leaflet containing budget details, the Council's website and social media. A particular emphasis was placed during 2011/12 on more open and transparent budget consultation including the use of the Delib on-line budget simulator, early publication of two year budget proposals and a thorough scrutiny process.
28. 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 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.
29. As part of its openness and transparency of decision making, advance notices, agendas, minutes and web-casts are available for Council meetings. The Council makes available a large amount of information through several means and is also committed to meeting its obligations to give rights of public access to information held, through the Freedom of Information Act 2000.
30. Parts of the Council achieved the Customer Service Excellence award during 2011/12, being the Government's national standard for excellence and demonstrating that the Council has recognised the importance of consulting and developing an in-depth understanding of its customer needs.

31. The Council has a Corporate Complaints Policy and Procedures which are in line with Ombudsman guidelines. A centrally managed process ensures consistency of receipt, investigation, responding, monitoring and reporting.

Control Framework, Risk Management and Audit Committee

32. The Council's high-level policies and procedures are updated and regularly communicated to officers and Members.
33. The principle documents include the Council's Financial Regulations and Contract Standing Orders both of which were reviewed and updated during the 2011/12. There are other corporate policies on key governance topics, including Business Planning, Counter Fraud, Information Security, Equalities & Diversity, Health & Safety and Whistleblowing.
34. 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. During 2011/12, the Council and its partners worked together to develop the first City Wide Risk Register.
35. The Council's internal audit arrangements are reviewed annually and considered to be effective, conforming to the governance requirements of the CIPFA Code of Practice for Internal Audit in Local Government. The Head of Audit & Business Risk works with key members of the Corporate Management Team to give assurance, advice and promote good governance throughout the Council.
36. The Council has a corporate fraud function within the Audit & Business Risk service with a Counter Fraud Programme for both reactive and increasing proactive activity. During 2011/12 the Head of Audit & Business Risk contributed to the Local Government Fraud Strategy, 'Fighting Fraud Locally' produced by the National Fraud Authority and published in April 2012. Best practice recommendations are operating or will be introduced.
37. 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.

38. For 2011/12, 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 guidance for Audit Committees. The membership is politically proportionate and the Chair is an opposition Member. A review of the effectiveness of the Audit Committee was carried out during 2011/12.

Compliance with Established Policies, Procedures, Laws and Regulations

39. 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.
40. Compliance assessments are carried out by management, auditors and through the work of statutory inspectors, including the Care Quality Commission and Ofsted.
41. 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 2011/12.

Economic, Effective and Efficient Use of Resources

42. As part of the Council's transformation agenda the Council has a four year Value for Money Programme, the main objective of which is to achieve financial savings. Other objectives include delivering services in new and better ways to increase user satisfaction.
43. Actual value for money savings achieved under the Programme for 2011/12 was £7.529m against an ambitious planned target of £7.752m. That programme covers a wide range of service related and cross-cutting initiatives including better procurement, and management and administration savings.

Financial Management and Reporting

44. The Council's financial arrangements fully conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). As Chief Financial Officer (CFO), the Director of Finance is a key member of the Strategic Leadership Board and Corporate Management Team and is responsible of the proper administration of the Council's financial arrangements and leads a suitably qualified and experienced Finance Function.
45. 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 2011/12 on any case of unlawful expenditure, loss or deficiency.
46. The Council's Medium Term Financial Strategy (MTFS) sets out the resource projections for the forthcoming three years, the financial challenges and opportunities that it faces and the approach planned to meet the priorities set out in the Corporate Plan.
47. The Council published a detailed budget book for 2011/12 to enable a greater understanding of how the council spends its money. It also continues to publish all payments to suppliers over £500.

Partnership Working and Governance Arrangements

48. 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 2011/12 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 arrangements within the Council's key partnerships.
49. The City's Local Strategic Partnership (LSP) is managed by a Board and the Council is the lead agency for the LSP. During 2011/12 the Council distributed, a Brighton & Hove Strategic Partners' Members Pack to LSP Board Members that included governance responsibilities.

50. Agreements have been developed between the Brighton & Hove Strategic 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.
51. 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

52. 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.
53. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework 2011/12 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 an effective Internal Audit Service including a risk based approach, individual audit reports providing assurance on the adequacy of individual internal controls and weaknesses to be addressed and an Annual Internal Audit & Opinion Report on the overall adequacy of the Council's control environment which has reached a reasonable assurance judgement,.
 - The Council's counter fraud arrangements including strategy, programme of reactive and proactive work;
 - Effective risk management arrangements including strategic and operational risk registers
 - 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

54. The annual effectiveness review of governance arrangements referred to above has not identified any significant weaknesses except for improvements which are required to the HR/Payroll control environment.

55. In considering the governance issues contained in the Annual Governance Statement for 2009/10, the following enhancements have **been achieved** during 2011/12:

- A more centralised and compliant approach to procurement and contract management including category management and contract management information system;
- Implementation of a new Performance and Risk Management Framework that will include regular 'Organisational Health Reports';
- Implement a new Business Planning process ;
- Introduction of a new People Strategy for effective workforce planning;
- Introduction of a new Corporate Plan and Medium Term Financial Strategy for new priorities and response to financial pressures; and
- Implementation of a new approach to budget consultation and stakeholder engagement;

56. In addition to the above, a number of actions referred to in the Annual Governance Statement for the year 2011/12, **are ongoing** supported by detailed plans and timetables:

- Review partnership and governance arrangements with Health in particular supporting the implementation of the shadow Health and Wellbeing Board, preparing for the transfer of public health functions to local government and responding to structural change in the NHS which will affect existing Section 75 agreements.

57. In response to the significant financial challenges facing the Council and the move to a new intelligent commissioning operating model, **new actions** have been identified to improve the governance arrangements:

- Implement the council's new constitution which includes a committee system.

- Following issues raised by Internal and External Audit in relation to the Payroll System, improve controls and efficiency of processes;
- Implement improvements to information governance arrangements in accordance with recommendations from Information Commissioner's inspection;
- Following changes to the national remit of external audit and inspection, to review processes for benchmarking performance and ensuring value for money across the Council;
- Introduce effective arrangements for Neighbourhood/Community Governance in the two pilot areas identified;
- Update Code of Corporate Governance to encompass changes to the Council's governance arrangements, legislation and updates to the CIPFA/SOLACE Framework and good governance guidance;
- In response to Fighting Fraud Locally, review the resourcing of the Council's counter fraud response, including the capacity and skills mix in both the Housing Benefits Fraud Team and the Corporate Fraud Team;
- To make changes to the Council's governance arrangements under the Localism Act 2011 for example introducing a local ethical standards regime from 1st July 2012; and
- Local Government Funding Reform (i.e. Council Tax Support and Business Rates).

58. All new and actions in progress will be monitored by the Officers' Governance Board and Audit & Standards Committee during 2011/12.

59. 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 Jason Kitcat
Leader of the Council

Dated:

Dated:

