Annual Governance Statement 2012/13

Brighton & Hove
City Council

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 to secure continuous improvement.

2. In discharging this accountability, the Council is responsible for putting in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes 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 Guidance Note.* This is included in the Constitution of the Council.

4. This Annual Governance Statement explains how the Council has complied with its Code of Corporate Governance and also meets the requirements of the Accounts & Audit Regulations 2011.

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, culture and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives as set out in the Corporate Plan, and to consider whether those objectives have led to the delivery of appropriate, cost effective services. These objectives are underpinned by the Council's corporate values.

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 2013 and 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. During 2012/13 the Council has been developing and strengthening work on new delivery models for public service reform and the additional responsibilities from new legislation. This includes the Localism Act 2011. Health & Social Care Act 2012 and Welfare Reform Act 2012. The Council continues to review its governance structures and systems to support its on-going modernisation and to ensure that it is well positioned to deliver it new responsibilities effectively.

12. The Corporate Plan 2011-15, approved by Full Council in October 2011, was reviewed and updated during 2012/13 and sets out the Council's direction and four priorities:

    - Tackling inequality;
    - Creating a more sustainable city;
    - Engaging people who live and work in the city; and
    - Modernising the Council.

13. The Council introduced an ambitious modernisation programme in 2012/13 with the Chief Executive leading with a strong focus on improving performance management and quality of leadership across the Council. The priority to modernise the Council included specific reference to the governance framework.

14. During 2012/13, the Council introduced new organisational values (six) as follows which have been incorporated into the Council's constitution, codes of conduct and performance management frameworks:

    - **Respect**: Embrace diversity with kindness and consideration and recognise the value of everyone;
    - **Collaboration**: Work together and contribute to the creation of helpful and successful teams and partnerships across the Council and beyond;
    - **Efficiency:** Work in a way that makes the best and most sustainable use of resources, always looking at alternative ways of getting stuff done;
    - **Openness**: Share and communicate with honesty about our service and self, whenever appropriate;
    - **Creativity**: Have ideas that challenge the 'tried and tested', use evidence of what works, listen to feedback and come up with different solutions; and
    - **Customer Focus**: Adopt our 'Customer Promise' to colleagues, partners, members and customers.

15. 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.

16. During 2012/13 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'.

17. The Council further developed the City Wide Risk Register to manage the wider risks impacting on the City.

18. 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.

19. Performance management processes are embedded throughout the Council and regularly reported in accordance with agreed timescales. During 2012/13, Organisational Health Reports were used and included 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

20. 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.

21. 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.

22. In late 2012/13 the Council refreshed its Performance Development Plan (PDP) process for staff to ensure all have a clear and shared understanding of what is meant by performance management, behaviours and the Council's values.

23. The Council has a generic programme of training and development for Members and now uses the South East Employers Charter, accredited for the Member Development Framework. There is further, more specific training provided as required in for example Scrutiny and Audit & Standards Committee roles.

Roles, Responsibilities and Behaviour

24. To ensure effective leadership throughout the Council, members and officers work together to deliver common objectives with clearly defined functions and roles through the following:

    - The Council's Constitution includes details of the roles and responsibilities of all its 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; and

    - The Council's Head of Law 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 Audit & Standards Committee.

25. During 2012/13 the Council ceased operating executive arrangements under a Leader and Cabinet, and moved to a committee based system involving executive decisions being taken by cross-party committees, but with certain corporate policies and strategies and the budgetary framework still reserved for approval by full Council.

26. The Officer's Executive Leadership Team (ELT) includes the Chief Executive and Executive Director of Finance and Resources , and supports Members in the policy and decision making process. A new position was also created in 2012/13 of Assistant Chief Executive to strengthen the Council's management of policy, communities and communications.

27. 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.

28. The Audit & Standards Committee remit includes promoting and maintaining high standards of conduct and ethical governance. During 2012/13 the Council, in compliance with the Localism Act 2011, introduced a revised Code of Conduct requiring Members to register 'Disclosable Pecuniary Interests', and appointed two 'Independent Persons' to advise the council with its assessment and determination of allegations of breaches of that Code. Further updates to that Code and to the Codes of Conduct for Member/Officer Relations and Code of Conduct for Employees reflected new arrangements for handling confidential information, the Council's revised corporate values, and the latest senior management structure. Social media and networking protocols were also introduced during the year.

Communication and Consultation

29. The Community Engagement Framework for the City, introduced by the Brighton & Hove Strategic Partnership, aims to improve the ways in which citizens and communities can influence and shape services through improved communication.

30. 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 Tax leaflet containing budget details, the Council's website and social media. The Council continued to develop more open and transparent budget consultation during 2012/13 ('Your Money, Your Services, Your Say') including the use of an on-line budget tool and budget consultations with the community.

31. To complement the general rules under the Codes of Conduct for Members and Officers, the Council introduced a Social Media Protocol for Members and Social Networking Policy for Employees to address the important and increasing means of communication for individuals and businesses.

32. 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 and 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.

33. 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.

34. 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 & Standards Committee

35. The Council's high-level policies and procedures are updated and regularly communicated to officers and Members.

36. The principal documents include the Council's Financial Regulations and Contract Standing Orders both of which were reviewed and updated during 2012/13. There are other corporate polices on key governance topics, including Business Planning, Counter Fraud, Information Security, Equalities & Diversity, Health & Safety and Whistleblowing. These documents and related guidance and support are also available to the majority of staff through the Council's Intranet site,

37. 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 2012/13, the Council and its partners worked together to further develop the City Wide Risk Register.

38. The Council's internal audit arrangements are reviewed annually and considered to be effective, for 2012/13 conforming to the governance requirements of the CIPFA Code of Practice for Internal Audit in Local Government. The Code was superseded from 1st April 2013 by the Public Sector Internal Audit Standards and Local Government Application Note (CIPFA). The Head of Audit & Business Risk works with key members of the Executive and Corporate Management Teams to give assurance, advice and promote good governance throughout the Council.

39. 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 2012/13, the Audit & Business Risk service continued to implement actions from the Local Government Fraud Strategy 'Fighting Fraud Locally'.

40. 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.

41. The Head of Health & Safety produced an Annual Report for 2012/13 to demonstrate how the Council is improving he management of health, safety and welfare across all services.

42. The Audit & Standards Committee is independent of the Council's scrutiny functions and 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 (2005). The membership is politically proportionate and the Chair is an opposition Member.

Compliance with Established Policies, Procedures, Laws and Regulations

43. 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. For example, in the important area of Financial Management there is a mandatory e-learning course and follow-up workshop which all Budget Holders must attend.

44. Compliance assessments are carried out by management, auditors and through the work of statutory inspectors, including the Care Quality Commission and Ofsted.

45. The Head of Law (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 2012/13.

Economic, Effective and Efficient Use of Resources

46. As part of the Council's modernisation programme, it has a four year Value for Money Programme, which is focussed on developing modernised services that can achieve substantial efficiency savings. Other objectives include delivering services in new and better ways to increase user satisfaction.

47. Actual value for money savings achieved under the Programme for 2012/13 was £10.08M exceeding the planned target of £6.93M. That programme covers a wide range of service related and cross-cutting initiatives including better procurement, preventative for social care services, management and administration savings.

48. The Council has an Information Management Board to oversee ICT Governance and includes the Monitoring Officer as 'Senior Information Responsible Officer and two Caldicott Guardians responsible for protecting the confidentiality of service user information.

Financial Management and Reporting

49. 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 Executive Director of Finance & Resources is a key member of the Executive Leadership Board and Corporate Management Team and is responsible for the proper administration of the Council's financial arrangements and leads a suitably qualified and experienced Finance Function.

50. The Executive 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 appropriate systems of financial control. No reports were made during 2012/13 on any case of unlawful expenditure, loss or deficiency.

51. The Council's Medium Term Financial Strategy (MTFS) sets out the resource projections for the forthcoming five years, the financial challenges and opportunities that it faces and the approach planned to meet the priorities set out in the Corporate Plan. During 2012/13 the MTFS was updated and now includes a longer term resource projection up to 2019.

52. The Council published a detailed budget book for 2012/13 to enable a greater understanding of how the Council spends its money. It also continues to publish all payments to suppliers over £500 (over £250 from April 2013).

Partnership Working and 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. Regular audit reviews are carried out on the overall governance arrangements within the Council's key partnerships.

54. For 2012/13 the City's Local Strategic Partnership (LSP) was managed by a Board and the Council as the lead agency for the LSP. The Brighton & Hove Strategic Partners' Members Pack for SP Board Members includes governance responsibilities.

55. 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.

Review of Effectiveness

56. The Council has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the systems of internal control. The review of effectiveness is informed by the work of executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Audit & Business Risk's Internal Audit and Opinion Report and also by comments made by the external auditors, other review agencies and inspectorates.

57. Through evaluation and analysis during the 2012/13 review, the Council has good assurance that its governance arrangements and systems of internal control are robust and reflect the principles of its Code of Corporate Governance.

58. An Officers Governance Board oversees the review of effectiveness of governance arrangements including monitoring actions arising.

59. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework 2012/13 includes the following:

- Evaluation of the robustness of governance arrangements against the six principles of good governance in the CIPFA/SOLACE Delivering Good Governance Framework;
- The Annual Opinion of the Head of Audit & Business Risk which has reached a reasonable assurance level judgement;
- Review and maintenance of the Constitution by the Monitoring Officer;
- The provision of an effective Internal Audit Service, including compliance with professional standards, risk based approach, individual internal audit reports providing levels of assurance and monitoring actions to audit recommendations made for improvement;
- Review of the role and responsibilities of the Chief Financial Officer;
- Risk management process outcomes including strategic risk actions plans and service risk registers; and
- Comments made by external auditors and outcomes of external assessments carried out by regulatory bodies.

Governance Issues

60. The annual effectiveness review of governance arrangements referred to above has not identified any significant weaknesses.

61. In considering the governance issues contained in the Annual Governance Statement for 2011/12, enhancements to the Council's governance arrangements have been achieved during 2012/13 including:

- Improvements to the HR/payroll control environment and efficiency of processes;
- Implementation of improvements to information governance arrangements in accordance with recommendations from the Information Commissioner's Office (ICO);

- Introduced arrangements for Neighbourhood Governance for the two pilot areas;

- Plan for the creation of a Corporate Counter Fraud Team to provide more effective response to fraud risk;

- Introduction of a local ethical standards regime in accordance with the requirements of the Localism Act 2011;

- Introduction of effective systems of internal control for changes related to the introduction of the Council Tax Reduction Scheme and other relevant welfare reforms; and

- Review of partnership governance arrangements in particular with Health and transfer of public health functions and Section 75 agreements.

62. In response to the significant financial challenges facing the Council, **new actions** have been identified to ensure continuous improvement in the Council's governance arrangements:

- Embedding the Council's revised Business Planning and risk management process which reflects its new organisational structure;

- Further embedding and post implementation review of the recently refreshed Performance Development Plan process for staff;

- Improvement to the awareness of fraud and corruption across the Council;

- Continued review of governance arrangement in new and emerging partnerships, in particular legal agreements for Health given changes to the NHS architecture;

- A review of the Audit & Standards Committee in accordance with new guidance anticipated to be issued by CIPFA;

- Planning for ongoing changes in Local Government Finance and funding;

- Better governance to oversee the delivery of major modernisation programmes or the Council through the Modernisation Board, chaired by the Chief Executive, and enhanced support from the Programme Management Office;

- Reviewing and updating the Sustainability Communities Strategy;

- To meet the new requirements, compliance and zero tolerance approach of the Government's Communications and Electronics Security Group for the Code of Connection (CoCo) for accessing the Government Secure Intranet (GSI) for data sharing;

- Full review of the Council's 'family' of partnerships across the City and introducing a City Management Board to replace the Public Services Board;;

- Review of the Performance and Risk Management Framework to ensure meets the needs of the Council; and

- Ensure Internal Audit conformance to the Public Sector Internal Audit Standards and Local Government Application Note for an effective service and meeting the requirements of the Accounts and Audit Regulations 2011.

63. All new planned and actions in progress will be monitored by the Officers' Governance Board and Audit & Standards Committee during 2013/14.

64. 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.

65. We propose over the coming year to take actions to address the above matters to further enhance our governance arrangements. We are satisfied that these actions will address the need for improvements that were identified in our review and will monitor their implementation and operation during 2013/14.

Signed   **Signed**

Penny Thompson   **Councillor Jason Kitcat**
Chief Executive   **Leader of the Council**

Dated: XX   YYYYY 2013   **Dated: XX YYYY 2013**

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