



# **Annual Governance Statement 2013/14**

Brighton & Hove City Council  
**King's House**  
**Grand Avenue**  
**Hove BN3 2SR**

## **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 and will be updated in 2014/15.
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 2014 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, Values and Performance Management**

11. During 2013/14 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, the Health & Social Care Act 2012, the Welfare Reform Act 2012 and the Care Bill (now an Act). 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 its new responsibilities effectively.

12. The Corporate Plan 2011-15, approved by Full Council in October 2011, was reviewed and updated during 2013/14 and sets out the Council's purpose, ambition, values and priorities.

#### **Our purpose**

- To represent citizens through democratic processes
- To ensure and assure services for the city including statutory responsibilities
- Safeguarding of the most vulnerable
- Leadership and co-ordination of council and the capacity and capability of partners
- Value for money ensuring a best deal for council taxpayers

#### **Our ambition**

- A high performing authority, a fantastic and distinctive place to live, work and visit
- A leader of the city region
- Demonstrably making best use of all resources. Seeking to become a self-sustaining organisation serving its customers well

#### **Our priorities**

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

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

**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.

14. The Council introduced an ambitious modernisation programme in 2012 and continued activity in 2013/14 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. 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 2013/14, 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. Regular 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. 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.
18. The Council continued to monitor the embedding of its refreshed 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. In February, as part of its commitment to improving our managers' leadership and performance management skills, the Council launched a new mandatory management development programme as part of its wider culture change programme called Living our Values Every Day.
19. The Council has a Member training and development programme which is accredited under the South East Employers' Charter for the Member Development Framework. This starts with an extensive induction and is followed by a generic development programme. There is further, more specific, training provided as required (for example for Members serving in Planning, Audit and Standards and Personnel Appeals Panels) as well as bespoke training and development opportunities for Members with special responsibilities.

### **Roles, Responsibilities and Behaviour**

20. 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 constitution and associated guidance are reviewed regularly to ensure they remain up-to-date, relevant and effective. In 2013/14 there were 3 such reviews undertaken to streamline the decision-making process, incorporate the Council's values into codes of conduct and refine the officer delegation.
  - 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.
21. The Officer's Executive Leadership Team (ELT) includes, among its members, the Chief Executive, the Executive Director of Finance and Resources (section 151 Officer) and the Monitoring Officer (who all have special responsibility regarding governance.) This ensures leadership of, and support to, good corporate governance at the highest level of the organisation. Other members of ELT include the Executive Directors for Children, Adults and Public Health as well as the Assistant Chief Executive. They all bring additional perspectives that support legislative compliance and good governance generally.
  22. 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.
  23. The Audit & Standards Committee remit includes promoting and maintaining high standards of conduct and ethical governance. During 2013/14 the Council revised and updated the Code of Conduct for Members and the complaints process to require Complaints Panels to be chaired by an Independent Person and simplify the process. This followed detailed work undertaken by a cross-party working group chaired by an Independent Person.

## **Communication and Consultation**

24. The Community Engagement Framework for the City, introduced by the Brighton & Hove Strategic Partnership (now known as Brighton & Hove Connected) aims to improve the ways in which citizens and communities can influence and shape services through improved communication.
25. 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 2013/14 'Your Money, Your Services, Your Say') including the use of an on-line budget tool and budget consultations with the community.

26. 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 this increasingly important means of communication for individuals and businesses. These documents are published on the Council's website and staff intranet respectively.
27. 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 and the Annual Statement of Accounts are made available via the Council's website and distributed to certain key points across the City.
28. 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 and the wider transparency agenda. Most key decision-making meetings of the Council, including full Council, Policy & Resources Committee, Housing Committee, Planning Committee, Environment, Transport and Sustainability committee meetings are webcast. The Council has also implemented the open government licence scheme.
29. The Council has a Corporate Complaints Policy and Procedures which are in line with Local Government Ombudsman guidelines. A centrally managed process ensures consistency of receipt, investigation, responding, monitoring and reporting.

## **Control Framework, Risk Management and Audit & Standards Committee**

30. The Council's high-level policies and procedures are updated and regularly communicated to officers and Members.
31. The principal documents include the Council's Financial Regulations and Contract Standing Orders both of which were reviewed and updated during 2013/14. There are other corporate policies 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.
32. Risk management is embedded throughout the Council and in its partnership working arrangements. The Council's Risk Management Strategy 2014-17 was consulted on and approved in January 2014 and sets out an annual programme of risk management activity for each of the three years. During 2013/14, the Council and its partners continued to work together to further develop and refresh the City Wide Risk Register and implementation of actions by the city's strategic partnerships.
33. The Council's internal audit arrangements are reviewed annually and considered to be effective, for 2013/14 conforming to the governance requirements of the Public Sector Internal Audit Standards. The Acting Head of Audit & Business Risk works closely with key members of the Executive Leadership Team and Corporate Management Teams to give assurance and improve the Council's

financial control framework, give advice and promote good governance throughout the Council.

34. The Council has a separate Corporate Fraud Team. A large proportion of the teams work is the investigation of Housing Benefit and Council Tax Benefit Fraud but in addition significant successes have been achieved in the investigation of housing tenancy fraud.
35. The Council's Whistleblowing Policy, was reviewed and refreshed during the year, 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 intranet and website, and provides the mechanisms to raise concerns and receive appropriate feedback without the fear of victimisation.
36. The Head of Health & Safety produced an Annual Report for 2013/14 to demonstrate how the Council is improving the management of health, safety and welfare across all services.
37. 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. The membership is politically proportionate and the Chair is an opposition Member. The Committee also has two Independent Persons with extensive experience and who, under the revised complaints process, will chair all Member complaints panels.

### **Compliance with Established Policies, Procedures, Laws and Regulations**

38. 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.
39. Compliance assessments are carried out by management, auditors and through the work of statutory inspectors, including the Care Quality Commission and Ofsted.
40. 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 2013/14.

### **Economic, Effective and Efficient Use of Resources**

41. As part of the Council's modernisation programme, it has a 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. To provide objective analysis of the Council's approach, EY consultants were appointed in 2013 to help identify ways in which the Council can address the enhanced need

for Value for Money, given the significant challenges as a result of reductions in central government funding which are expected to continue through to 2020.

42. Actual value for money savings achieved under the Phase 3 VFM Programme for 2013/14 were £9.417m. The programme covers a wide range of service related and cross-cutting initiatives including better procurement, preventative measures relating to social care services, and accelerated service redesign to achieve staffing efficiencies backed by a voluntary severance scheme.
43. 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**

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 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.
45. 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 2013/14 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 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 2013/14 the MTFS was updated and now includes a longer term resource projection up to 2019.
47. The Council published a detailed budget book for 2013/14 to enable a greater understanding of how the Council spends its money. It published all payments to suppliers over £250 from April 2013.

## **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. Regular audit reviews are carried out on the overall governance arrangements within the Council's key partnerships.
49. The Council has a leading role in Brighton & Hove Connected (formerly known as Brighton & Hove Strategic Partnership) the local strategic partnership for the City... During 2013/14 the Brighton & Hove Strategic Partnership produced a new sustainable community strategy entitled 'Brighton & Hove – The Connected City'. The vision for Brighton & Hove was agreed as:  
  
"Brighton & Hove- the connected city. Creative, dynamic, inclusive and caring. A fantastic place to live work and visit."



50. The new community strategy has 5 priorities as follows:
  - a. Economy
  - b. Children & young people
  - c. Health & wellbeing
  - d. Community safety & resilience and
  - e. Environmental sustainability
51. The strategy is underpinned by two principles which run through all of our work. These are
  - f. Increasing our equality
  - g. Improving our engagement.
52. Brighton & Hove Connected and the City Management Board have created a range of specialist partnerships that take responsibility for the creation, implementation and monitoring of key city strategies. These include Employment and Skills, Economy, Housing etc.
53. The City Management Board (CMB) is chaired by the council's Chief Executive and is the delivery arm of Brighton & Hove Connected. The board is made up of the key public service decision makers in the city in order to focus on delivery improvements city-wide including performance and risk management. Each board member is accountable to their parent body and to Brighton & Hove Connected.

The Member organisations of CMB are:

- h. Brighton & Hove City Council
  - i. Brighton & Sussex University Hospitals
  - j. City College Brighton & Hove
  - k. Clinical Commissioning Group
  - l. East Sussex Fire & Rescue Service
  - m. Jobcentre Plus
  - n. Office of the Sussex Police & Crime Commissioner
  - o. Sussex Police
  - p. University of Brighton
  - q. University of Sussex
  - r. Surrey & Sussex Probation Trust
54. The Council, in partnership with other public sector organisations at the City Management Board, has also developed the City Wide Risk Register to manage the wider risks impacting on the City.
  55. In 2013/14 the Council, in close collaboration with the Clinical Commissioning Group (CCG,) undertook a fundamental review of the Health & Wellbeing Board leading to a more enhanced role for the Board that will enable it to provide system leadership across health and local authority social services. The Board is chaired by the Leader of the Council has equal voting representation between the Council and the CCG. The different component parts of the arrangement,

with the Health & Wellbeing Board at its centre, are illustrated in the diagram below.



## 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 2013/14 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 2013/14 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 management 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 identified the following significant weaknesses:
- a previously undisclosed related party transaction has been identified in relation to a substantial contract for temporary accommodation.
  - arrangements to ensure compliance across the organisation with Contract Standing Orders are not sufficiently robust;
61. The undisclosed related party transaction was identified following a whistleblowing allegation. The financial statements set out that there was £3.000m contractual and non-contractual spend with KEM in 2013/14, a supplier of temporary accommodation to the authority. A sibling of the Head of Housing is a Director of KEM. There is an ongoing disciplinary investigation by the council into this matter and it has also been referred to Sussex Police.
62. A review has been undertaken by the council's internal audit team, procurement team and finance team to ensure that the council received services for the payments made to KEM. This review also considered other areas of housing expenditure. This has provided sufficient assurance that the financial statements are not materially misstated. However it did identify clear weaknesses in the arrangements for signing and sealing leases for temporary accommodation in cases not dealt with directly by Legal services and in record keeping. It also identified a lack of consistency and clarity in lease terms and conditions across similar lease agreements. Furthermore it identified evidence of historic weaknesses in the Council's arrangements to assess and take action on the value for money received from providers of temporary accommodation.
63. Procedures for disclosure of third party transactions have also been enhanced and the Council recently introduced a compulsory scheme for annual return of declarations of interests (including NIL returns) by all Senior Officers and contract officers. This supplements the annual related party transaction declarations undertaken as part of the accounts and the combination of these should assist in minimising incidents of non-disclosure.
64. The Council's legal and procurement teams are working with contract officers in service departments by providing training, encouraging standardisation of terms and conditions and overseeing their practical application to ensure high levels of compliance with Contract Standing Orders and best practice. As part of the third party spend VFM workstream, the resourcing of the procurement function is being reviewed. This, together with other initiatives to improve the effectiveness of Council's approach to procurement, is anticipated to result in higher levels of compliance.
65. In considering the governance issues contained in the Annual Governance Statement for 2012/13, enhancements to the Council's governance arrangements have been achieved during 2013/14 including:

- improvements to the links between the Corporate Plan and Medium Term Financial Strategy and service and financial planning in business plans;
- developing and commencing the roll-out of a culture change programme – Living our Values, every Day with a clear focus on performance of self, others and service;
- reviewing our constitution to streamline decision-making and provide better tailored guidance on ethical governance.
- conducting a review of the effectiveness of the Audit & Standards Committee in accordance with new guidance issued by CIPFA in December 2013;
- reviewing the Council's whistleblowing arrangements to ensure these continue to provide a robust and effective mechanism for officers, and others who work in close association with the Council, to raise concerns of alleged malpractice so they can be investigated;
- the formation of an Early Retirement Compensation Panel to oversee and monitor the Council's use of early retirement options and employer discretions to ensure consistent and cost effective business decisions are made;
- reviewing the Council's approach to the use of Settlement Agreements (formerly known as Compromise Agreements) to ensure they are used only in circumstances where there is a robust and valid business case for doing so;
- reviewing the arrangements for officers to declare interests they may have that could potentially conflict with their role with the Council to ensure these remain robust and effective in preventing fraud and corruption.
- improving the accessibility of corporate governance information on the council's intranet, the Wave;
- met the requirements, compliance and zero tolerance approach of the Government's Code of Connection (CoCo) for accessing the Government Public Services Network (PSN);
- undertook a full review of the Council's 'family' of partnerships across the City and introducing a City Management Board, chaired by the Chief Executive to replace the Public Services Board;
- created a Corporate Counter Fraud Team to provide more effective response to fraud risk with a particular emphasis on housing tenancy fraud;
- introduced a local ethical standards regime in accordance with the requirements of the Localism Act 2011; and
- introduced effective systems of internal control for changes related to the introduction of the Council Tax Reduction Scheme and other relevant welfare reforms.

66. 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:

- i. To embed the refreshed approach to Fraud & Corruption awareness across the council including whistleblowing arrangements and declarations of interest;
  - ii. Develop a new approach to the management of corporate fraud following the transfer of housing benefit related work and associated staff to the new national Single Fraud Investigation Service.
  - iii. Further Information Governance focused work to maintain compliance with the Public Service Network (PSN) Code of Compliance and to meet the requirements of the Information Commissioners Office (ICO);
  - iv. Improve compliance with Contract Standing Orders to be incorporated into the Value for Money Programme in relation to third party spend;
  - v. Review of Code of Corporate Governance, prioritised refresh of council policies and communication methods to take account of the pace of change;
  - vi. Focus on the adequacy of Business Continuity arrangements and work to embed understanding of its practice in council service delivery;
  - vii. The continued roll out of the Living our Values Every Day culture change programme;
  - viii. Refreshing the Value for Money Programme and ensuring that its governance is fit for purpose;
  - ix. Introducing the reformed Health and Wellbeing Board and new Greater Brighton Economic Board;
  - x. Improving how we use a range of financial and non-financial information including customer insight to make improvements to service delivery.
67. All new planned and actions in progress will be monitored by the Officers' Governance Board and Audit & Standards Committee during 2014/15.
68. 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.
69. 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 2014/15.

**Signed**

**Signed**

**Penny Thompson**  
**Chief Executive**

**Councillor Jason Kitcat**  
**Leader of the Council**

**Dated: 29 September 2014**

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