

# DRAFT Annual Governance Statement 2016/2017

**TO BE** Signed by:  
Leader of Brighton & Hove City Council,  
Warren Morgan  
and Chief Executive Officer,  
Geoff Raw



# Why we have prepared this Annual Governance Statement (AGS) 2016-17

- To fulfil the statutory requirement for each local authority to conduct a review of its system of internal control and prepare and publish an AGS at least once a year in each financial year
- To demonstrate whether, and to what extent, the council complied with its Local Code of Governance ('the Local Code') in 2016/17
- To demonstrate our achievements and help us to be more effective and take action to improve

# What we mean by governance

The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved

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How the council makes sure it

- does the right things
- in the right way
- for the right people



Brighton & Hove  
City Council

# Our responsibilities

The council is responsible for ensuring that there is a sound system of governance (incorporating the system of internal control) and complying with its local code of governance

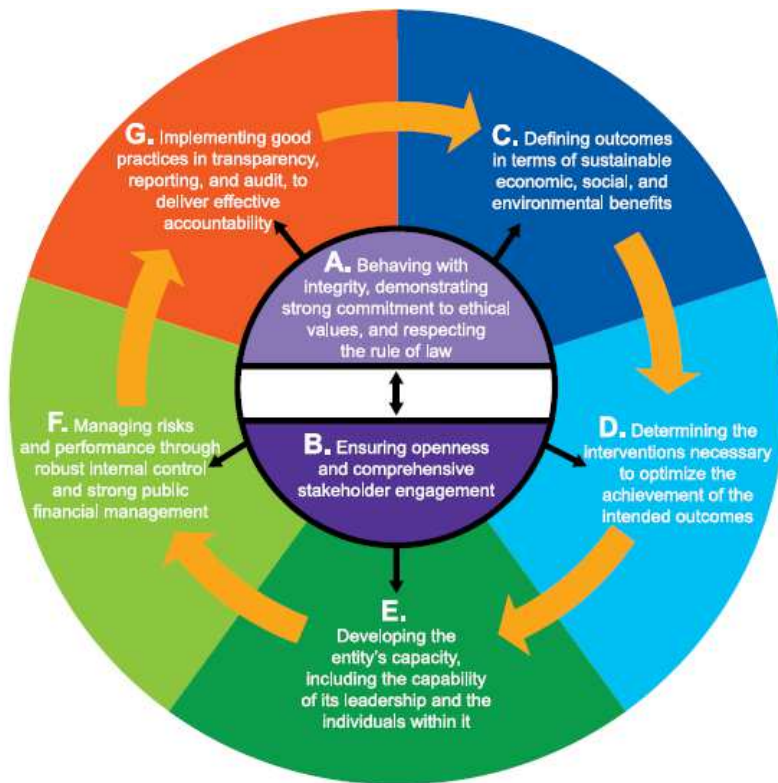
# Corporate Governance Structure: within Brighton & Hove City Council



# Corporate Governance Structure: working with our partners



# How we compare our arrangements to good governance principles



Our Corporate Risk Assurance Framework (CRAF) approved in January 2017 maps our policies, processes and risks to the seven good governance principles set out in this diagram\*

\* Reproduced from 'Delivering Good Governance in Local Government Framework 2014' published by CIPFA/IFAC

# How we make sure our arrangements are working



We use the 'three lines of defence model' to assess the effectiveness of our policies and procedures and to make sure our risks are addressed



# Progress made on AGS actions 15/16

What we said we would do	Progress
1) Reporting on progress being made to fully implement the Organisational Review undertaken in early 2015 following the dismissal of the former head of housing	<p>Achieved</p> <ul style="list-style-type: none"> <li>Progress reported to Audit Standards Committee on 21 June 2016</li> </ul>
2) Development of a competency framework for the council	<p>Achieved</p> <ul style="list-style-type: none"> <li>Behaviour Framework approved by the ELT on 30 November 2016</li> </ul>
3) Developing a corporate risk assurance framework based on the 'three lines of defence' model	<p>Achieved</p> <ul style="list-style-type: none"> <li><a href="#"><u>Report to Audit &amp; Standards Committee 10 January 2017 Item 65 Corporate Risk Assurance Framework (CRAF)</u></a></li> </ul>

# Progress made on AGS actions 15/16

What we said we would do	Progress
4) Seeking approval of and implementing an updated counter fraud strategy and framework and raise awareness of how staff, citizens and others can report concerns	Achieved <ul style="list-style-type: none"><li>• <a href="#">Counter Fraud Strategy and framework</a> approved by Audit &amp; Standards Committee 21 June 2016</li><li>• Programme of awareness raising including staff communications, East Sussex Fraud Hub publicity and Tenancy Fraud Amnesty</li></ul>
5) Continuing to give a high priority to understanding and addressing ICT risks, particularly the security of the council's information and systems	Achieved <ul style="list-style-type: none"><li>• Information Governance Board continues to give a high priority to managing ICT risks</li></ul>



# Progress made on AGS actions 15/16

What we said we would do	Progress
<p>6) Contract monitoring to be strengthened including ongoing (service specific) training to raise the awareness of Contract Standing Orders and effective contract management; the Procure- to- Pay system will be introduced which will catalogue services with contractual prices. This will improve Purchase Order accuracy and provide exception reporting where suppliers exceed contractual pricing</p>	<p>Ongoing – see Actions 17/18</p> <ul style="list-style-type: none"><li>• Business Case was prepared and approved by Corporate Modernisation Delivery Board for additional contract management capacity</li><li>• Recruitment activity is well underway with preparation of a Forward Plan for the new team. Roll out expected early July 17</li></ul>



# Other areas where we have strengthened our arrangements

1. Executive Director appointments made to complete our Executive Leadership Team (ELT)
2. Audit & Standards Committee strengthened with a revised terms of reference and a programme of 'Deep Dives' into key areas
3. Leadership Training Programme for senior managers based on Behaviour Framework - started January 2017
4. New corporate arrangements for declaring of interests supported by awareness raising across senior management teams.

# Head of Internal Audit Opinion

In my opinion, reasonable assurance\* can be provided:

- on the overall adequacy and effectiveness of the council's framework of governance, risk management and control for the year ended 2016/17
- that the arrangements continue to be fit for purpose in accordance with Delivering Good Governance in Local Government Framework 2016 published by CIPFA/SOLACE.

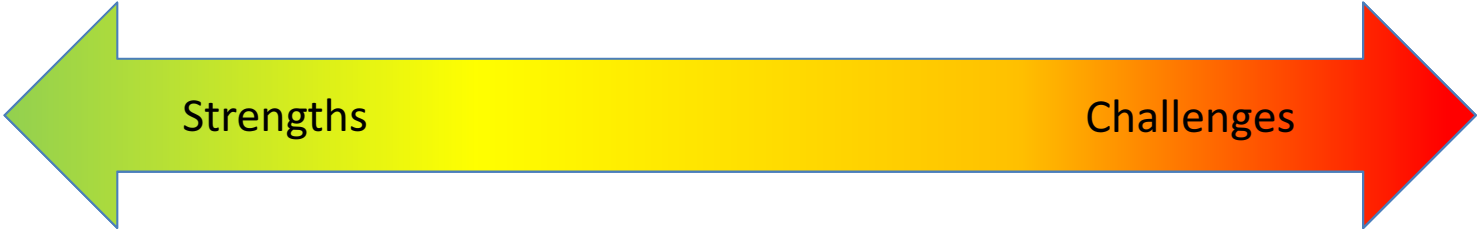
Graham Liddell

Head of Internal Audit for the year ended 31 March 2017

\* Assurance can never be absolute. In this context 'reasonable assurance' means that arrangements are in place to manage key risks and to meet good governance principles, but there are one or more areas where improvements are required



# Draft rationale for “reasonable assurance” opinion



- Good Governance principles in place
- Core financial systems effective
- Challenging budget delivered
- Objectives largely on track

- Risk from continued financial challenges, especially school balances.
- Risk that reduced capacity will compromise effectiveness of internal controls

- Robustness of our arrangements to keep our data secure.
- Variable contract management practices (general fund, capital and housing)



# Further Actions to improve governance for delivery 2017/18, page 1 of 2

## What we will do

- 1) Discuss with Lead Members and respond to the recommendation of the April 2017 LGA Peer Review including:
  - i. City-wide leadership
  - ii. The council's long term strategy for the city
  - iii. Partnership & engagement

- 2) Improve contract management
  - i. Analyse current contract portfolio
  - ii. Find opportunities for efficiency gains to contribute to the budget setting process
  - iii. Review housing repairs contract

## Lead Officer

Chief Executive

Executive Director (Finance & Resources)



# Further Actions to improve governance for delivery 2017/18, page 2 of 2

## What we will do

- 3) Improve information governance
  - i. Agree Information Strategy
  - ii. Prepare for General Data Protection Regulations
  - iii. Prioritise Information & Cyber Risks

## Lead Officer

Executive Director  
(Finance & Resources)

- 4) Address financial challenges facing schools
  - i. Help schools avoid financial difficulties
  - ii. Consider use of formal powers where appropriate

Executive Director  
(Families Children & Learning)



# What happens next...

We will

- continue to strengthen further our governance arrangements
- monitor the implementation of the actions set out in this statement
- report the progress we have made in our next annual review

# In conclusion...

This document:

- shows how we have met the statutory requirement to conduct a review of our system of internal control
- meets the requirement to publish an Annual Governance Statement at least once a year in each financial year
- demonstrates that we have complied with our Local Code of Governance ('the Local Code') in 2016/17
- demonstrates our achievements and helps us to be more effective and take action to improve

# Annex 1

## Analysis of Corporate Risk Assurance Framework (CRAF) by Internal Audit

# Analysis of Corporate Risk Assurance Framework (CRAF) by Internal Audit (IA)

## Purpose

- To summarise assurance provided for good governance principles A to G

## Content

- Overview
- Heat map showing assessment of policies, processes and risks



# Overview – principles A to D

	Good governance principle	Policies/ processes	Commentary on effectiveness
A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Y	<ul style="list-style-type: none"> <li>Independent assurance confirms that reasonable arrangements generally in place.</li> </ul>
B	Ensuring openness and comprehensive stakeholder engagements	Y	<ul style="list-style-type: none"> <li>IA work planned to gain assurance on effectiveness in 2017/18.</li> </ul>
C	Defining outcomes in terms of sustainable economic, social, and environmental benefits	Y	<ul style="list-style-type: none"> <li>Local Government Peer review expected to provide independent assurance for 2017/18.</li> </ul>
D	Determining the interventions necessary to optimise the achievement of the intended outcome	Y	<ul style="list-style-type: none"> <li>Budget and financial management arrangements are reasonably effective</li> <li>Financial constraints remain a key concern for directorate management teams.</li> </ul>



# Overview – principles E to G

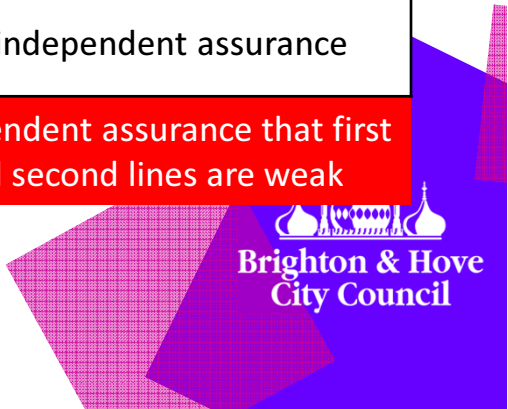
	Good governance principle	Policies/ processes	Commentary on effectiveness
E	Developing the entity's capacity including the capacity of its leadership and with individuals within it	Y	<ul style="list-style-type: none"> <li>Developing capacity remains a key area of focus for the council.</li> <li>Some independent assurance that the council is putting in place reasonable mitigating arrangements (eg Orbis).</li> <li>Further assurance in 2017/18 expected from Local Government Peer review and IA work.</li> </ul>
F	Managing risks and performance through robust internal control and strong financial management	Y	<ul style="list-style-type: none"> <li>Independent assurance confirms that reasonable arrangements generally in place.</li> <li>The council needs to improve its arrangements for information governance and keeping its data secure</li> </ul>
G	Implementing good practice in transparency, reporting and audit to deliver effective accountability	Y	<ul style="list-style-type: none"> <li>Independent assurance on effectiveness expected from external audit and independent review of internal audit in 2017/18.</li> </ul>



# Key to Corporate Risk Assurance Framework heat map

03

	First line	Second line	Third line
Green	Management controls set out on CRAF	Sources of corporate assurance set out on the CRAF	Independent assurance that first and second lines are effective
Yellow	Some management controls set out on CRAF	Some sources of corporate assurance set out on the CRAF	Independent assurance that first and second lines are reasonable
Grey	n/a	n/a	Independent assurance in progress or planned
White	Management controls not set out	Sources of corporate assurance not set out	No independent assurance
Red	n/a	n/a	Independent assurance that first and second lines are weak



# A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

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Policy/process	First	Second	Third
A1 Behaving with integrity	green	green	yellow
A2 Demonstrating strong commitment to ethical values	green	green	green
A3 Respecting the Rule of Law	green	green	green

Strategic risk	First	Second	Third
SR13 Keeping Vulnerable Adults safe from harm and abuse	green	green	yellow
SR15 Keeping children safe from harm and abuse	green	green	green

Directorate risk	First	Second	Third
EEC DR 09 - Ensuring best practice to meet Health & Safety standards	yellow	yellow	white
FCL DR 05 - Our Child Protection and Safeguarding arrangements are not effective	green	green	green
HASC DR 05 - Assurance of ASC statutory duties	yellow	green	white
HASC DR 02 - Meeting requirements of Deprivation of Liberty Safeguards (DoLS)	green	green	yellow
NCH DR 03 - Meeting legislative duties in Service Delivery, whether direct or through contractors	green	green	yellow
SGL DR 02 - Skills and resources to lead and support the organisations	green	green	white



## B: Ensuring openness and comprehensive stakeholder engagements

### Policy/process

	First	Second	Third
B1 Openness	green	green	white
B2 Engaging stakeholders effectively including individual citizens and services users	green	green	grey
B3 Engaging comprehensively with institutional stakeholders	green	green	white

### Strategic risk

	First	Second	Third
SR26 Council relationship with Citizens	green	green	grey
SR20 Ability of health and social care to integrate services at a local level to deliver timely and appropriate interventions	green	green	grey

### Directorate risk

FCL DR 02 - Changes in effective partnership working affects our service delivery  
 HASC DR 03 - Market capacity of Adult Social Care providers

	First	Second	Third
FCL DR 02 - Changes in effective partnership working affects our service delivery	green	green	grey
HASC DR 03 - Market capacity of Adult Social Care providers	green	green	white



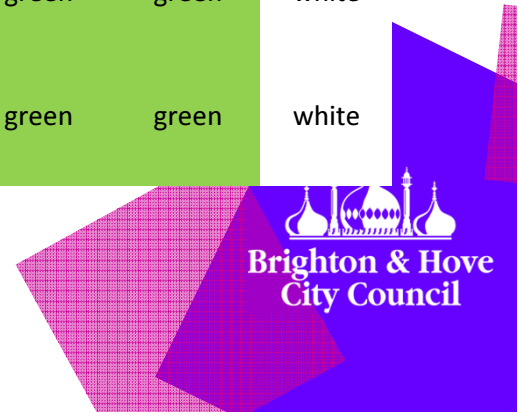
# C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Policy/process	First	Second	Third
C1 Defining Outcomes	green	green	yellow
C2 Sustainable economic, social and environment benefits	yellow	yellow	grey

Strategic risk	First	Second	Third
SR23 Developing an investment strategy to refurbish and develop the city's major asset of the seafront	green	green	grey
SR21 Housing Pressures	green	green	yellow
SR29 Contract Management	green	green	grey

Directorate risk	First	Second	Third
EEC DR 07 - Strategic Co-ordinations and delivery of major regeneration and infrastructure projects	green	green	grey
EEC DR 10 - Delivering the next stages of the City Plan	green	green	white
NCH DR 06 - Impact of Government Policy on Directorate contribution to delivery of Corporate Plan	green	green	white
SGL DR 05 - Managing directorate activity to support the council through substantive changes to operating environment	green	green	white



## D: Determining the interventions necessary to optimise the achievement of the intended outcome

### Policy/process

	First	Second	Third
D1 Determining the interventions	green	green	yellow
D2 Planning interventions	yellow	yellow	yellow
D3 Optimising the achievement of intended outcomes	yellow	yellow	yellow

### Strategic risk

	First	Second	Third
SR18 Transition to modern, digital IT to improve service delivery	yellow	green	yellow
SR17 School Places Planning	green	green	grey

### Directorate risk

- EEC DR 01 - Digital capability to meet customer expectations
- EEC DR 05 - Resilience of the City's Transport Infrastructure
- FCL DR 07 - There are not sufficient suitable school places across the city
- HASC DR 08 - Improving city wide health and well-being outcomes and the impact on HASC demand management
- HASC DR 12 Strategic Organisational Change, involving governance, systems and workforce
- FCL DR 06 - Children underachieve at Secondary and post 16 education within the City
- SGL DR 06 - Resources affecting service resilience and impact on front line delivery to customers using the Life Events service
- HASC DR 01 - Financial pressures
- NCH DR 02 - Financial Stability to enable Directorate service delivery
- FCL DR 03 - Budget pressures are unmanageable
- EEC DR 03 - Directorate's income and budget

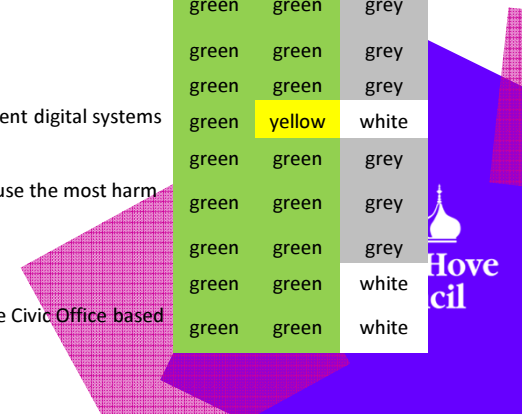
	First	Second	Third
EEC DR 01 - Digital capability to meet customer expectations	green	green	grey
EEC DR 05 - Resilience of the City's Transport Infrastructure	green	yellow	white
FCL DR 07 - There are not sufficient suitable school places across the city	green	green	grey
HASC DR 08 - Improving city wide health and well-being outcomes and the impact on HASC demand management	green	green	white
HASC DR 12 Strategic Organisational Change, involving governance, systems and workforce	green	green	grey
FCL DR 06 - Children underachieve at Secondary and post 16 education within the City	green	green	green
SGL DR 06 - Resources affecting service resilience and impact on front line delivery to customers using the Life Events service	green	green	white
HASC DR 01 - Financial pressures	green	green	yellow
NCH DR 02 - Financial Stability to enable Directorate service delivery	green	green	yellow
FCL DR 03 - Budget pressures are unmanageable	green	green	yellow
EEC DR 03 - Directorate's income and budget	green	green	yellow

# E: Developing the entity's capacity including the capacity of its leadership and with individuals within it

Policy/process	First	Second	Third
E1 Developing the entity's capacity	yellow	yellow	yellow
E2 Developing the capacity of the entity's leadership and other individuals	yellow	yellow	grey

Strategic risk	First	Second	Third
SR22 Modernising the Council	green	green	yellow
SR27 Devolution	green	green	white
SR25 Organisational Capacity as a Result of Change	yellow	yellow	grey

Directorate risk	First	Second	Third
EEC DR 08 - Planning Service Income & Service Delivery	green	green	yellow
EEC DR11 - Transition of RP&M to new Trust to deliver outcomes	green	yellow	white
FCL DR 01 - Service redesign doesn't lead to improved services	green	green	green
FCL DR 04 - Without targeted and effective services for those not meeting the threshold of social care there is an increased potential need of costly interventions for children and families	yellow	green	green
FCL DR 08 - Special Educational Needs and Disability Review recommendations are not implemented	green	green	green
FR DR 01 - Orbis Integration	green	green	yellow
FR DR 02 - Capacity of F&R to meet the Council's expectations given the level of savings required in 2017/18	green	green	yellow
FR DR 03 - Managing staff workload, improving team resilience and enabling staff flexibility	green	green	grey
FR DR 08 - Delivery of Digital First objectives	green	green	grey
HASC DR 04 - Major changes affecting Social Care	green	green	grey
NCH DR 01 - Improving Customer Services through efficient digital systems	green	yellow	white
NCH DR 04 - Increased demands	green	green	grey
NCH DR 05 - Capability to address Serious Crimes that cause the most harm is reducing	green	green	grey
SGL DR 01 - Change capacity and support for staff	green	green	grey
HASC DR 07 - Engaging staff in change	green	green	white
SGL DR 07 Impact of WS4 on Life Events Services and the Civic Office based in Brighton Town Hall	green	green	white



# F: Managing risks and performance through robust internal control and strong financial management

Policy/process	First	Second	Third
F1 Managing risk	green	green	yellow
F2 Managing performance	green	green	yellow
F3 a Robust Internal Control	green	green	yellow
F3 b Managing Data	green	green	Red*
F4 Strong public financial management	green	green	yellow

Directorate risk	First	Second	Third
HASC DR 11- IT systems to enable modern working and effectively delivery	yellow	yellow	white
EEC DR 04 - Readiness for Emergencies & Resilience Planning	green	green	yellow

Strategic risk	First	Second	Third
SR24 Welfare Reform	green	green	grey
SR10 Information Governance Management	green	green	Red*
SR2 Financial Outlook	green	green	yellow

\*Red ratings based on limited assurance opinion given on information governance audits



## G: Implementing good practice in transparency, reporting and audit to deliver effective accountability

Policy/process	First	Second	Third
G1 Implementing good practices in transparency	green	green	white
G2 Implementing good practices in reporting	green	green	green
G3 Assurance and effective accountability	green	green	grey



# Glossary of Terms

## & Links for more information, 1 of 3

**'Local Code'** – Local Code of Governance reported to Audit & Standards Committee 25 July 2017

**Audit & Standards Committee** – oversees Governance arrangements at the council, including monitoring and providing an opinion on the effectiveness of risk management & Internal Control

**Executive Leadership Team** – officer group chaired by the Chief Executive including all Executive Directors & the Executive Lead Officer, Strategy, Governance & Law

# Glossary of Terms

## & Links for more information, 2 of 3

- **Officers' Governance Board** – an officers group with a remit to oversee the implementation of actions from the Annual Governance Statement and progress improvements in governance
- **Information Governance Board** as part of Information Governance Strategy 2016-19
- [Brighton & Hove Connected](#) - link to the Sustainable Community Strategy for Brighton & Hove



# Glossary of Terms

## & Links for more information, 3 of 3

- CRAF [Report to Audit & Standards Committee 10 Jan 17: Corporate Risk Assurance Framework](#)
- [Performance Management Framework](#)



