

<b>Subject:</b>	<b>Draft Annual Governance Statement 2019-2020</b>		
<b>Date of Meeting:</b>	<b>21 July 2020</b>		
<b>Report of:</b>	<b>Executive Lead Officer, Strategy, Governance &amp; Law</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jackie Algar</b>	<b>Tel: 01273 291273</b>
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<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE****1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The Annual Governance Statement (AGS) is a requirement of Local Authorities to report publicly on the extent to which they comply with their own Code of Corporate Governance ('the Local Code').
- 1.2 The council is responsible for ensuring a sound system of governance (incorporating the system of internal control). The AGS publicises how the council strives to be effective in meeting the highest standards of governance as set out in the International Framework for Good Governance<sup>1</sup> (henceforth referred to as 'the Framework') and provides information on the review of governance that has taken place during the course of the last complete financial year.
- 1.3 This report helps the Audit & Standards Committee to deliver its role and for the city council to meet the requirements of the Accounts and Audit Regulations 2015 in respect of:
- i) conducting an annual review of the effectiveness of the system of internal control;
  - ii) conducting an annual review of the effectiveness of internal audit;
  - iii) reviewing the outcome of annual review of governance arrangements;
  - iv) approving the Annual Governance Statement, ensuring it contains any actions for improvement; and
  - v) prior to considering approval of the Council's annual Statement of Accounts.

**2. RECOMMENDATIONS:**

That the Committee:

- 2.1 Review the attached draft AGS and make recommendations to further strengthen governance to the Leader of the City Council and the Chief Executive.

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<sup>1</sup> *International Framework: Good Governance in the Public Sector* developed jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the International Federation of Accountants® (IFAC®), 2014.

2.2 Note that the Leader of the City Council and the Chief Executive will be asked to confirm their agreement to the AGS by signing a hard copy of Appendix 1 which will be stored securely.

2.3 Note that the AGS once signed by the Leader of the City Council and Chief Executive will be published alongside the council's Annual Accounts on the Council's website.

### **3. CONTEXT/ BACKGROUND INFORMATION**

#### **3.1 The Local Code of Corporate Governance**

3.1.1 The Council is responsible for ensuring that it conducts its business in accordance with the law and according to relevant standards. This requires Members and officers to make arrangements which ensure that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively so as to ensure continuous improvement. A key element is the responsibility of ensuring that our systems of internal control are sound and reflect best practice.

3.1.2 Brighton & Hove City Council's Local Code of Corporate Governance was last substantively reviewed in July 2017 in the light of CIPFA & SOLACE<sup>2</sup> guidance 'Delivering Good Governance in Local Government: Framework (2016)'. At its meeting on 23 July 2019, the Audit and Standards Committee exercised its delegated powers under article 13.03 (xi) of the Constitution to approve a revised Code of Corporate Governance, which is published as Part 8.11 of Brighton & Hove City Council's Constitution.

3.1.3 The afore-mentioned Code of Corporate Governance is based on the good practice guidance referred to above, which was developed following work carried out by a joint working party sponsored by CIPFA and SOLACE. The Code of Corporate Governance incorporates the Framework proposed in the guidance, using the definition of good governance and the core principles cited therein.

3.1.4 It is a legal requirement that authorities conduct a review each financial year on the effectiveness of their systems of internal control and report publicly on the findings of that review. At Brighton & Hove City Council this review, as well as the Council's compliance with its Code of Corporate Governance, is conducted and monitored through the AGS process.

#### **3.2 Best Practice**

The city council has complied with best practice guidance<sup>3</sup> published by CIPFA and SOLACE which are to:

- a) provide a meaningful but brief communication regarding the review of governance that has taken place including the role of the governance structures involved (such as the authority; the audit and other committees)

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<sup>2</sup> CIPFA (Chartered Institute of Public Finance Accountancy) and SOLACE (the Society of Local Authority Chief Executives and Senior Managers).

<sup>3</sup> Delivering Good Governance in Local Government Framework 2016 edition, CIPFA and SOLACE.

- b) be high level, strategic and written in an open and readable style
  - c) focus on outcomes and value for money and relate to the authority's vision for the area.
- 3.3 The city council is active in delivery of its risk management process through its senior officers in order to use risk management to manage its business and keep the council safe. The internal audit service analyse the strategic risks agreed by the Executive Leadership Team (ELT) and in Appendix 1 of the AGS provide for each risk details of their work and other independent assurance. This helps to inform stakeholders on the level of assurance for each strategic risk against the Good Governance Principles set out in the International Framework for Good Governance.
- 3.4 Risk Management and Assurance are inter-related and are crucial to Governance and the council achieving its purpose as an organisation.
- 3.5 The council is required to report on any planned changes in the current period beyond the AGS period covered in this report (2019/20). There are no significant issues to be reported.

#### **4. CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1 Through consultation with ELT the current process for producing the Annual Governance Statement was deemed to be the most suitable model.

#### **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 No engagement or consultation has been undertaken.

#### **6. CONCLUSION**

- 6.1 The Annual Governance Statement evidences how the council meets its responsibilities for good governance.

#### **7. FINANCIAL AND OTHER IMPLICATIONS**

##### Financial Implications

- 7.1 Sound corporate governance and proper systems of internal control are essential to the financial health and reputation of the council. The resources required to implement the actions outlined to strengthen the governance arrangements are provided for the agreed 2020/21 budget and will inform the preparation of the 2021/22 budget. The council's response to the Covid 19 pandemic has tested the governance arrangements and the council has adapted decision making including additional committee and sub committee meetings and the reporting of the use of urgency powers, to ensure proper oversight is maintained. The lessons learned from this exceptional event will be used to inform recommendations for governance going forward. The government has also extended the deadline for publishing the 2019/20 Statement of Accounts to the 30<sup>th</sup> November 2020.

Legal Implications:

- 7.2 The council is under a duty to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for the management of risk. Regulation 6 of the Accounts and Audit Regulations 2015 further require the council to at least annually conduct a review of the effectiveness of its system of internal control and to prepare an annual governance statement in addition to the statement of accounts which it is obliged to prepare in accordance with regulations 9 and 12.

The council's Audit & Standards Committee is responsible for amongst other things reviewing the outcome of the annual review of governance arrangements and approving the Annual Governance Statement, thereby ensuring that the council meets the requirements of the Accounts and Audit Regulations 2015 by fulfilling these requirements as a committee of the council designated for this purpose.

The deadline for complying with the requirements in the 2015 regulations that require the council to publish its statement of accounts and its narrative statement as well as the annual governance statement has been varied by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, which came into force on 30<sup>th</sup> April 2020. The 2020 regulations extend the deadline within which the council must publish the above documents to 30<sup>th</sup> November 2020 in relation to the financial year which began on 1<sup>st</sup> April 2019 only. The time period for the exercise of public rights has been similarly amended.

Lawyer Consulted: Victoria Simpson

Date: 29/05/20

Equalities Implications:

- 7.3 The Annual Governance Statement is informed by consideration of Equalities, a corporate requirement, in the council's Performance Management Framework including risk management. There is an expectation that the Performance Management Framework will be used to evidence how service improvements are being made which have the aim of reducing inequalities.

Sustainability Implications

- 7.4 No direct implications however sustainability will be improved through good governance arrangements.

Any Other Significant Implications:

- 7.5 There are no further significant implications arising from this report.

## **SUPPORTING DOCUMENTATION**

### **Appendices**

1. Draft Annual Governance Statement 2019 - 2020.

### **Background Documents**

1. International Framework Good Governance in the Public Sector, CIPFA/ IFAC 2014.
2. Delivering good governance in local government framework 2016 edition, CIPFA/SOLACE 2016.

