

# Brent Council Annual Governance Statement 2015/16

## 1. Scope of Responsibility

- 1.1 Brent Council ('The Council') is responsible for ensuring that its business is conducted in accordance with the law and proper 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 economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 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*. A copy of the Council's code is contained in part 7 of the council's Constitution and can be found on our website at <http://www.brent.gov.uk/your-council/about-brent-council/council-structure-how-we-work/our-constitution/>
- 1.4 This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(2), which requires all relevant bodies to prepare an annual governance statement. It also highlights how the council's financial management arrangements conform to the governance requirements of CIPFA's *Statement on the Role of the Chief Finance officer in Local Government (2010) as set out in the December 2012 Addendum / delivering good governance in Local Government: Framework*.

## 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.2 The governance framework has been in place for the year ended 31 March 2016

and up to the date of approval of the statement of accounts.

### **3. The Governance Framework**

**3.1** The Borough Plan sets out the council's vision for the area, underpinned by a Corporate Plan which identifies the key tasks from which team plans and individual objectives are set.

**3.2** The key elements of the systems and processes that comprise the Council's governance arrangements are based on the six core principles of the CIPFA/SOLACE Governance Framework. The six core principles are as follows:

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective; and,
6. Engaging with local people and other stakeholders to ensure robust public accountability.

**3.3** The arrangements for reviewing the effectiveness of the governance framework are detailed in section 4 of this statement.

### **3.4 Creating and Implementing a Vision for the Local Area**

**3.4.1** The Council has a Borough Plan for the period of 2015 to December 2019 agreed by the Cabinet, the Local Strategic Partnership and Full Council. This document includes the corporate objectives of the Council and our shared partnerships priorities with other public agencies. The delivery of the Borough Plan is supported by a detailed Corporate Plan setting out key activities and milestones. Progress against the milestones is monitored on a six monthly basis and reported to the Corporate Management Team (CMT). Key performance indicators which relate to the targets in the plan are monitored on a monthly and quarterly basis and reported to CMT and the Cabinet. The Borough Plan references other key relevant documents, including the following:

- Local Development Framework;

- Climate Change Strategy;
- Housing Strategy;
- Sports and Physical Activity Strategy;
- Cultural Strategy;
- Health and Wellbeing Strategy;
- Engagement Strategy; and
- Brent 2020 Vision;
- Children and Young Peoples Plan;
- Child Poverty Strategy.

**3.4.2** The priorities of the Borough Plan are regularly set out in The Brent Magazine, its website, press releases and targeted campaigns. Service priorities are extensively consulted on with users and other relevant stakeholders. Departmental Service Plans are discussed annually with Lead Members prior to finalisation. The Corporate Plan feeds into team plans and individual objectives.

### **3.5 Roles and Responsibilities of Members and Officers**

**3.5.1** A Scheme of Delegation sets out the powers delegated to officers as part of the Constitution. The Financial Regulations are also part of the Constitution, together with the Code of Corporate Governance and the Contract Procedure Rules. The Constitution is reviewed regularly, with all changes approved by the Council and published on the external website.

- 3.5.2** The Member Code of Conduct set is out in the Constitution, together with other codes. These have been reviewed and the updated codes of Conduct have been agreed by the Standards Committee. The council has a Standards Committee to deal with member conduct issues and this Committee is politically balanced and consists of five members and an independent co-opted member. Two separate independent individuals are involved in dealing with complaints against members. The Committee has an annual work programme and is supported by the Chief Legal Officer. There is a register of member interests and gifts and hospitality.
- 3.5.3** All councillors receive training on the requirements of the Code of Conduct and related issues. Monitoring Officer Advice Notes give advice to members on decision making and standards of conduct.
- 3.5.4** The Code of Conduct for Officers was updated and re-issued in 2010, and is currently being reviewed. Other codes include the IT Usage Policy, Data and Information Security and Grievance Policy, Disciplinary Policy, Capability Policy and Probation Policy and these are all held on the intranet and are subject to regular review. HR policies have all been recently reviewed following an independent review by LGA. An antifraud and bribery policy was issued in July 2013. Staff are made aware of their responsibilities through general communications, such as Esight lite, manager briefings and at corporate induction. The Conflict of Interest Policy for staff provides clear guidance regarding contractual and other potential conflicts, and there is a Gifts and Hospitality policy.
- 3.5.5** The statutory Forward Plan is published monthly on the internet, and details all key decisions proposed to be made by the council during the relevant period. Any key decision which is not on the Forward Plan may not be taken within that period, unless the report author is able to demonstrate to the Monitoring Officer and relevant members that urgency procedure requirements are met. All urgent decisions taken are monitored by the Monitoring Officer and regular reports taken to Full Council.
- 3.5.6** Members are required to make sound decisions based on written reports which are prepared in accordance with the report writing guide and have to be cleared by both Finance and Legal. The Cabinet receives a briefing (Leader's Briefing) two weeks prior to the Cabinet meeting when members can ask detailed technical questions of officers. All reports must be reviewed and signed-off by the Chief Finance Officer and the Chief Legal Officer and contain clear financial and legal advice to help members arrive at decisions.

**3.5.7** In accordance with the Local Government Act 2000, the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Cabinet. These mechanisms involve the Scrutiny process including call-in. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.

### **3.6 Standards of Conduct and Behaviour**

**3.6.1** Good governance means promoting appropriate values for the council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the council achieve this:

**3.6.2** All members and chief officers are required to complete an annual statement relating to third party transactions and a register of members' interests, which is updated by members, is maintained and published on the Council's website.

**3.6.3** The Brent Council Code of Conduct for Members, revised in 2015, defines the standards of conduct expected of elected representatives, based on the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

**3.6.4** In addition, the following codes, protocols and systems are well established within the council. All are regularly reviewed and updated to account for developments in governance arrangements and changes in local government.

These include:

- A declaration of interest process for members and senior officers as described above;
- Rules and protocols are in place and are being further developed for all partnership working;
- Organisation-wide performance appraisal and employee development schemes are in operation;
- There is a corporate complaints procedure in place in line with Ombudsman good practice requirements;
- Whistle-blowing, anti-fraud and anti-corruption / bribery policies are in place and publicised in compliance with the national transparency agenda; senior officers' remuneration is published on the council website.

## **3.7 Decision Making, Scrutiny and Risk Management**

- 3.7.1** Good governance means taking informed and transparent decisions that are effectively scrutinised and which manage risk. The following describes how the Council achieves this:
- 3.7.2** Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet model of decision making. Although some decisions are reserved for Full Council, most are made by the Cabinet or by committees, sub-committees or officers. There are currently no decision making powers delegated to individual Members.
- 3.7.3** All forthcoming Key decisions by Cabinet are published in the Cabinet's Forward plan and republished every month on the Council's website.
- 3.7.4** Reports and minutes of meetings are also published on the council's website and are available through the Libraries. This includes urgent decisions, which are reported to the next formal meeting of Cabinet.
- 3.7.5** The council has an Audit Committee which meets at least four times during the year, with clear terms of reference and an annual work programme for internal audit and risk management.
- 3.7.6** The Council maintains an Internal Audit service that operates in accordance with the published internal audit standards expected of a local authority in the United Kingdom. The Head of Internal Audit has direct access to the Chief Executive, the Section 151 Officer and the Chair of the Audit Committee.
- 3.7.7** The Cabinet consider risks as part of their decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. The Corporate Management Team review corporate risks through regular monitoring reports. Risks are identified within Service Plans and considered on a regular basis within departmental management teams and key operational risks are reported through to the Corporate Management Team.
- 3.7.8** Robust business continuity management arrangements exist within the council, with all critical services having business continuity plans in place.
- 3.7.9** The Council has a three year Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the council's corporate priorities. The budget and policy framework outlines the process and timetable to be followed each year when setting the council's budget. The financial management framework includes regular budget monitoring reports to departmental management teams, Corporate Management Team and Cabinet.

### **3.8 Developing the Capacity & Capability of Members and Officers**

- 3.8.1** Good governance means developing the capacity and capability of members and officers to be effective. The following describes how the council achieves this:
- 3.8.2** A full member training and development programme is in place and there is a comprehensive induction programme for all councillors within the first few weeks of their election to office. Training on the Council's Code of Conduct for Councillors is compulsory. The council has adopted specific codes of conduct for councillors involved in planning or licensing decision-making and these councillors receive additional training in these areas as a pre-condition of their participation.
- 3.8.3** There is a corporate induction programme in place for staff, which is largely e-learning based, and one for new managers, supplemented by various internal training courses. Within the New Manager Essential Programme the key objectives are for delegates to understand the roles and responsibilities (core standards and expectations) of the Brent Manager and the Management competencies. Key information and policies are highlighted to new staff and managers and held on the intranet.

### **3.9 Engaging with Local people and Stakeholders**

- 3.9.1** The Chief Executive's Department is responsible for supporting local partnership arrangements, known as Partners for Brent. The Partnership Team co-ordinates a broad range of collaborative activities, which stem from the Council's engagement with local public, private and voluntary sector organisations.
- 3.9.2** Partners for Brent is an advisory body which allows for wider involvement and engagement in the delivery of public services. The Partners for Brent Strategic Forum is made up of eight organisations.
- 3.9.3** At a service area level, the objectives of partnerships are documented in the Service Plans and within contract documentation. They are then reflected in staff's individual objectives.
- 3.9.4** Commitments to deliver against our responsibilities in relation to equality and diversity feature strongly in the Council's Corporate Plan. Regard to equality, diversity and human rights duties is embedded in the budget setting and business planning process, and templates for each require that officers and members take into consideration in an appropriate manner the equality, diversity and human rights impacts of proposed decisions. The Council's

approach is to embed equality and diversity within all of its work so that equality considerations are part of day-to-day management.

## **4 Review of Effectiveness**

- 4.1** 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 review of effectiveness is informed by the work of the Directors and senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the work of the Head of Internal Audit & Investigation's annual report and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2** The Council's review of the effectiveness of its system of internal control is informed by:
- Annual Assurance Opinion of the Head of Internal Audit.
  - Performance against targets;
  - Annual Assurance Statement;
  - LGA Peer Review; and
  - A review of the previous year's Annual Governance Statement.
- 4.3** The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is described below:

### **4.3.1 Performance Management**

The Council has a Performance Management Framework, overseen by the Corporate Performance Team (CPT), within the Chief Executive's Department. The CPT works with Departmental Management Teams to strategically align all the Council's performance monitoring and reporting and coordinate the production of three main reports:

- The Quarterly Performance Report for Cabinet;
- The Quarterly Departmental Scorecards for the Corporate Management Team.

Members play a regular role in performance management, providing challenge to officers. Cabinet receives a report on performance each quarter. Cabinet portfolio holders have weekly meetings with Executive Directors and review finance and performance indicators each month.

### **4.3.2 Statutory Officers**

The Constitution sets out how the council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution comprises eight

parts which sets out the basic rules for governing the council's business, as well as detailed procedures and codes of practice.

The Constitution is regularly reviewed and was last updated in April 2016. The Constitution sets out the responsibilities of both members and officers. In particular the council has identified the following six statutory posts:

- Head of Paid Service – Chief Executive
- Chief Financial Officer (Section 151)
- Chief Legal Officer – Monitoring Officer
- Strategic Director Children and Young People
- Strategic Director Community and Wellbeing
- Director of Public Health.

### **4.3.3 Management**

Each Strategic Director has provided a self-assurance statement in respect of 2015/16, supported by assurances received from their direct reports, that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities; and
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks.

All staff, in particular managers, are responsible for ensuring that laws and regulations are complied with and that the authority's policies are implemented in practice. Strategic Directors, operational directors and heads of service are responsible for monitoring implementation of the council's policies.

One of the key elements in obtaining the required internal controls assurance for the Annual Governance Statement is the completion of the Annual Assurance Statement by senior officers. The Statement noted that for the year ended 31 March 2016, senior officers were aware of their responsibilities and had complied with the council's policies and procedures.

Strategic Directors were asked to compile their statement after reviewing the statements from their direct reports. Direct reports were asked to compile their statement after taking assurance from their senior management teams.

#### **4.3.4 The Cabinet**

The Cabinet makes key decisions in accordance with the Budget and Policy Framework. They conduct joint planning sessions with the Corporate Management Team to consider the council's policy priorities and its linkages with the medium term financial strategy. The Cabinet meets regularly with the Corporate Management Team to develop policy and to receive operational and financial performance information.

#### **4.3.5 The Standards Committee**

The Standards Committee receives reports from the Council's Monitoring Officer on issues concerning member conduct and would consider reports referred from the Monitoring Officer which require investigation and/or determination. The role and effectiveness of the Standards Committee has recently been enhanced.

#### **4.3.6 Scrutiny Committee**

The council had one Scrutiny Committee meeting in 2015/16. The committee is responsible for developing a robust work programme which covers both the council's statutory responsibilities with regard to Health and Community Safety. The committee deals with call-in of Cabinet decisions, reviewing the council's performance against its objectives and scrutiny of local partners where appropriate. In addition the Scrutiny function undertakes a programme of 6 in depth task groups each year on matters of local concern. The views of local residents and service users are sought as part of the evidence gathering for these scrutiny task groups. These arrangements have been enhanced as part of the Annual General Meeting (AGM) in May 2016 to strengthen the role of scrutiny.

#### **4.3.7 The Audit Committee**

The Audit Committee met five times during 2015/16 and has considered the work of Internal Audit during the year, the Head of Internal Audit's annual report and opinion and the External Auditor's annual letter. The Committee monitors the effective development and operation of risk management. It reviews the annual statement of accounts specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from audits that need to be brought to the attention of the Council. The Audit Committee also considers the Treasury Management Strategy and the Annual Investment Strategy and reviews treasury management activity during the year.

#### 4.3.8 Internal Audit

The council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Audit and Investigations to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Head of Audit & Investigations provided his annual report to the Audit Committee on the 13<sup>th</sup> June 2016. This report outlined the key findings of the audit work undertaken during 2015-16, including areas of significant weakness in the internal control environment.

An assurance mechanism is used to reflect the effectiveness of the council's internal control environment. The table below details the four levels of assurance provided:

Level	Definition
Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
None	Control processes are generally weak leaving the processes / systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes / systems open to error or abuse.

It is the opinion of the Head of Audit and Investigations that, taking into account all available evidence, there is **Substantial Assurance** over the adequacy and effectiveness of the council's overall internal control environment during the financial year 2015-16.

#### 4.3.9 External Audit

KPMG LLP is currently the Council's appointed external auditor. As well as an examination of the Council's financial statements, the work of the council's external auditor includes an assessment of the degree to which the council delivers value for money in its use of resources.

#### **4.3.10 Risk Management**

The Council managed its risks during 2015-16 in accordance with the approved Risk Management Policy. The Corporate Management Team formally considers risks, with quarterly reports also being presented to the Audit Committee.

#### **4.3.11 Developing Capacity**

The Council has operated procedures during the period covered by this statement to ensure the training needs of staff are assessed against core competencies and any key training needs are met. Additionally the Council has provided and makes available ongoing training opportunities to councillors to enable them to effectively fulfil their duties.

#### **4.3.12 Engagement**

Regular consultation is also undertaken with residents to ensure that the authority makes decisions based on resident requirements and feedback regarding general provision and quality of service.

## 5 Significant Governance Issues

5.1 Set out below is the significant governance issue which was identified in 2014/15 and the progress against these together with the new issues identified for 2015/16.

### 2014/15 Issues and Progress

- **Contractor management.** As the council increases its contracting activity, strong negotiating and contract management skills are essential. The council needs to ensure that contractor pricing and performance proposals are robust and the analysis of these is rigorous pre-contract award. This action is ongoing to 2017.

### 5.2 2015/16 Significant Governance Issues

2015/16 Significant Governance Issues			
Issue	Actions	Officer Responsible	Timescale
<p><b>1. Financial Service Centre – Internal Control Failure</b></p> <p>Following a failure to follow defined systems and processes in September 2015, a payment of a batch of invoices to a range of suppliers totally £2.1m was duplicated. The duplication was identified very quickly and recovery activity instigated immediately. As at the end of the financial year less than £10,000 remained outstanding and is subject to ongoing recovery action.</p>	<p>An independent review by KPMG was conducted, reporting directly to the Chief Executive. The results of this were reported directly to the Audit Committee</p> <p>Financial control procedures have been thoroughly revised and staff have been trained to work in new ways. This also included specifically commissioned anti-fraud training to heighten awareness of the importance of financial controls</p> <p>Competency based selection was undertaken throughout the finance service centre as part of a wider</p>	<p>Chief Finance Officer / Strategic Director of Resources</p>	<p>Ongoing</p>

	reorganisation, resulting in a number of staff leaving and new appointments being made		
<p><b>2. Statutory Compliance - Health &amp; Safety</b></p> <p>On 21<sup>st</sup> January 2016 the Council was served with two improvement notices from the Health &amp; Safety Executive (HSE) following a serious assault on two employees which raised concerns about the quality of the risk assessment process. Other Health &amp; Safety policies were also out of date leaving weaknesses where operational practice had not been updated to reflect new organisational structures.</p>	<ol style="list-style-type: none"> <li>1. A full review of the council's health and safety system has been undertaken by suitably qualified and experienced experts. Their report will come to CMT in June and the recommendations will be delivered as set out, and all by 31/03/2017.</li> <li>2. Weaknesses identified by the HSE in their notice of compliance have been met in full and will be monitored by the Corporate Health and Safety Committee with quarterly reports to CMT</li> <li>3. Action Plan Developed</li> <li>4. Children &amp; Young People Department now fully compliant.</li> </ol>	<p>Strategic Director, Regeneration &amp; Environmental Services</p> <p>Strategic Director, Children &amp; Young People Department</p> <p>Strategic Director, Children &amp; Young People Department</p> <p>Strategic Director, Children &amp; Young People Department</p>	<p>By 31/03/2017</p> <p>March 2016 – May 2017</p> <p>March 2016</p> <p>May 2016</p>

<p><b>3. Brent Housing Partnership – Integrated Asset Management Partnership</b>  Inadequate client / BHP board / BHP management oversight of key areas of work led to:</p> <ul style="list-style-type: none"> <li>• Significant delays in the stock investment programme</li> <li>• Inadequate contract administration and compliance by BHP in respect of maintenance as confirmed through Audit</li> <li>• Poor customer service and therefore customer satisfaction</li> </ul>	<p>Recovery plan put in place from January 2016:</p> <ul style="list-style-type: none"> <li>• BHP management team has been changed</li> <li>• BHP board set up a Transformation board to oversee recovery</li> <li>• Client / BHP governance revised</li> <li>• Recovery plan in place (based on Audit evidence, customer feedback and other external challenge) and being monitored as described above, and</li> <li>• All action being reported to Cabinet in June 2016 and October 2016.</li> </ul>	<p>Operational Director of Housing, Community &amp; Wellbeing Department</p>	<p>September 2016</p>
<p><b>4. Relationship between Officers and Members</b>  Whilst working relationships between Officers and Members are generally strong, the LGA peer review carried out in January 2016, identified areas where these could be strengthened. In particular, greater clarity is required around respective roles in decision making.</p>	<p>Officers and Members, through the Constitutional Working Group (CWG) are conducting a thorough review of the Council’s constitution to ensure that it reflects the proper balance between effective control and democratic oversight and reasonable delegation making, to enable effective service delivery.</p>	<p>Chief Executive</p>	<p>The review of the constitution by the CWG will be concluded in the third quarter of 2016 to enable adoption of its recommendations, if considered appropriate, by full Council in February 2017 as part of the budget setting meeting.</p>

<p><b>5. Exit packages and settlement arrangements</b>  During the year a high profile employment tribunal case concerning a former employee was resolved, and a settlement agreement reached with the council's former HR Director, resulting in substantial costs to the council.</p>	<p>The council instituted a review into equalities, led by the then Deputy Leader, and the recommendations that came out of that review have been enacted.</p>	<p>Chief Executive</p>	<p>Completed, but ongoing monitoring will be maintained.</p>
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**5.3** We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**6. Conclusion and Evaluation**

As Leader and Chief Executive, we have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the London Borough of Brent to ensure effective internal control is maintained.

We are also satisfied that there are appropriate plans in place to address the weaknesses and ensure continuous improvement in the system of internal control.

Signed: ..... ..

Muhammed Butt

Carolyn Downs

Leader of the Council

Chief Executive

Dated: ..... ..