

# ANNUAL GOVERNANCE STATEMENT

---

## **Scope of Responsibility**

Bromley 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. Bromley 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.

In discharging this overall responsibility, Bromley 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.

Bromley 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 code is on our website at [www.bromley.gov.uk](http://www.bromley.gov.uk) or can be obtained from Resources, Bromley Civic Centre, Stockwell Close, Bromley BR1 3UH. This statement explains how Bromley has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement.

## **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. 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, cost-effective services.

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 ongoing process designed to identify and prioritise the risks to the achievement of Bromley's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromley for the year ended 31 March 2012 and up to the date of approval of the annual report and statement of accounts.

## **The Governance Framework**

The key elements of the systems and processes that comprise Bromley's governance arrangements include:

### **1) Identifying and communicating Bromley's vision of its purpose and intended outcomes for citizens and service users:**

Building a Better Bromley and being seen as excellent in the eyes of local people remains our vision.

Building a Better Bromley provides the framework for improving the economic, social and environmental well-being and health of people who live and work in Bromley. It sets the direction and policies which other plans should help to deliver and is shared across the Council in our specific Portfolio messages and Divisional plans.

Underpinning this vision are our eight Foundation Strategies covering Asset Management; Communications; Customer Service; Finance; Human Resources; ICT; Performance Management; and Procurement. These strategies work together to deliver our vision and govern what we do. They ensure we have a clear understanding of our aims in these key areas of our business and how we will achieve these aims.

Short term priorities are detailed in the Building a Better Bromley A3 sheet which highlights the key actions that form a focus for the Council's Executive.

## **2) Reviewing Bromley's vision and its implications for the authority's governance arrangements:**

Bromley faces a number of challenges over the next four to five years:

- Legislative changes from central Government regarding schools
- Responsibility for public health
- Closer working between health and social care
- Our financial position
- Developing our town centres
- Outcome of local government resource review

In response to these issues we have made a number of organisational changes including the setting up of our new Education and Care Services Department. We are currently revisiting our Building a Better Bromley vision with a view to publishing the most relevant and up to date corporate information on our website.

## **3) Measuring the quality of service for users, for ensuring they are delivered in accordance with Bromley's objectives and for ensuring that they represent the best use of resources:**

We measure our success through:

- Resident perceptions - 'excellent in the eyes of local people'
- Measurable improvements in efficiency and value for money
- Local Building a Better Bromley indicators and national indicators
- Benchmarks with other comparable councils and in independent assessments
- Extent of delivery of key programmes on time and to budget
- Successful identification and management of key risks to achieving our Building a Better Bromley priorities

Our Corporate Operating Principles which act as an operational model for our organisation define us as a value for money, high performance and customer focused council. The Organisational Improvement Programme Board, chaired by the Chief Executive, is responsible for the successful delivery of a portfolio of projects to drive through improvements and efficiencies right across the council.

## **4) Defining and documenting the roles and responsibilities of executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication:**

Member/Officer roles are defined in the Constitution which sets out how the Council operates, how decisions are made and the procedures followed to ensure that decision making is efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose.

The Council's main decision making body is the Executive which has seven members and is chaired by the Leader of the Council. It either makes decisions itself or six of its members with specific Portfolio Holder responsibilities decide on matters relating to their own specialist areas. The Leader appoints the Executive, and decides Portfolio Holder arrangements and responsibilities and agrees any formal delegation of various powers to the Council's Chief Officers and their staff.

By law the Executive cannot take all Council decisions with some matters decided elsewhere, principally by the Development Control Committee and the General Purposes and Licensing Committee and their Sub-Committees, or by the Council's Chief Officers under delegated powers. Six Policy Development and Scrutiny (PDS) Committees discharge the Council's overview and scrutiny functions under the Local Government Act 2000.

The Constitution Improvement Working Group has been reconvened to make recommendations on potential changes to the Council's structures and processes arising from the Localism Act 2011.

Bromley Council is bound by the government's 'Code of Recommended Practice on Local Authority Publicity' which provides guidance on the content, style, distribution and cost of local authority publicity. Local authorities are required by legislation to consider the Code in coming to any decision on publicity, which is defined as any communication, in whatever form, addressed to the public or a section of the public.

**5) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff:**

Bromley has adopted a number of codes and protocols that govern both Member and officer activities which are communicated as part of the induction process and made available via the intranet. These include codes of conduct covering conflicts of interest and gifts and hospitality.

Although the Localism Act removed or changed a number of existing arrangements relating to the standards regime (such as the national Code of Conduct, the requirement to have a Standards Committee, the role of Standards Committee independent members on it, and the current system of sanctions) the Act still required authorities to promote and maintain high standards of conduct.

Councils are now required to adopt a local Code of Conduct and the Standards Committee has passed on its views on this and other matters to the Constitution Improvement Working Group in order that they can make recommendations to full Council.

**6) Reviewing and updating the Constitution, including the Rules of Procedure, Standing Orders, standing financial instructions, a Scheme of Delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks:**

The Director of Resources (as Monitoring Officer) reviews and updates the constitutional framework including Rules of Procedure and Standing Orders (which regulate meetings of the Council) and the Scheme of Delegation (which sets out formal delegation of various powers to the Council's Chief Officers and staff) on a regular basis reporting to full Council.

The Finance Director (as Section 151 Officer) likewise reviews and updates Financial Regulations, Contract Procedure Rules and the Scheme of Delegation (so far as it relates to financial matters), which are incorporated into the Constitution. Financial Regulations are one of a set of management documents which collectively control and co-ordinate the financial affairs of the Council.

The Council's Risk Management Strategy is kept under review to reflect current procedures, guidance issued by CIPFA and best practice. This is overseen by the Risk Management Group, chaired by the Insurance and Risk Manager, with representation at a senior level from each department, reporting to Audit Sub-Committee. Each departmental representative acts as risk champion for their area to disseminate risk management information and facilitate the identification and assessment of risks.

**7) Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).**

The Statement sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer (CFO) in public service organisations and the governance requirements needed to support them.

We confirm that Bromley's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Finance Director has the role of Chief Finance Officer.

**8) Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees - Practical Guidance for Local Authorities*:**

The Audit Sub-Committee is responsible for developing and reviewing all aspects of the Council's arrangements for audit. Revised Terms of Reference were agreed for the Committee by full Council on 20 February 2012 and include:

- Monitor internal audit's strategy plan, plan and performance
- Review summary internal audit reports and the main issues arising, and seek assurances that action has been taken where necessary
- Consider the reports of external audit and inspection agencies
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti fraud and corruption arrangements
- Be satisfied the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it

As part of their local programme of audit work the external auditors PricewaterhouseCoopers LLP recommended that the Council should carry out an effectiveness review of the Audit Sub-Committee as the last one was completed in 2009.

**9) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:**

The Director of Resources (as Monitoring Officer) is responsible for ensuring the lawfulness and fairness of Council decision making, compliance with codes and protocols, and promoting good governance and high ethical standards.

The Finance Director (as Section 151 Officer) is responsible for the proper administration of the Council's financial affairs, preparing the Council's statement of accounts in accordance with proper practices, keeping proper accounting records and taking reasonable steps to prevent and detect fraud.

Corporate leadership is provided by the Corporate Management Team, led by the Chief Executive (and Head of Paid Service) who is responsible and accountable to the Council for all aspects of corporate and operational management.

Internal Audit is responsible for conducting audits, using a risk based approach, to highlight any weaknesses throughout the Council.

**10) Whistle-blowing and for receiving and investigating complaints from the public:**

Bromley is committed to the highest possible standards of openness, probity and accountability. The Council's confidential reporting code 'Raising Concerns' sets out how employees and contractors working for the Council on council premises can report their major concerns about any aspect of the Council's work including concerns about Members of the Council. The Monitoring Officer has overall responsibility for maintenance and operation of the code and this is widely publicised via posters, the intranet and on the Council's website. The Anti-Fraud and Corruption Strategy has been updated to incorporate the changes brought about by the Bribery Act 2010.

Arrangements are in place for receiving and investigating complaints from the public under the Council's 'Getting it Right' procedures - how to complain, make a suggestion or pay a compliment about a council service. There are separate procedures in place for complaints about children's social care, social care and housing (including a guide for people with learning difficulties) and complaints about schools. Leaflets and forms are available from enquiry points and libraries. Information is also available on the Council's website. The Chief Executive and the Director of Resources monitor how complaints are handled within departments.

The Localism Act will change the way we deal with complaints about Bromley councillors in the future. Model investigation/complaints processes are being developed by national and professional bodies and we will review these before drawing up our own procedures.

**11) Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training:**

There is a corporate induction process for Members and officers joining the Council. Specific training for Members targets key policy issues and areas of current interest. This is supported by a dedicated Member Development site on the intranet.

The Managerial and Leadership Development Framework sets out the key skills and knowledge that all Bromley managers are expected to have, whether newly appointed, experienced or operating at a strategic level. Officer training needs are identified as part of the annual Performance and Appraisal Development Scheme. In parallel a 'Managers' Toolkit' site has been developed on the intranet to provide a depository of policies, procedures, guidance and tools to enable all managers across the Council to work more effectively and efficiently.

IT training is delivered in partnership with Bromley Adult Education College.

**12) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:**

Through our communications we want to keep people informed, listen and respond to their concerns and reflect their priorities in our own. Our aim is to align our messages to our target audience and use the most appropriate channel to promote those messages.

The Council held four public meetings in November 2011 attended by over 600 people as part of the 2012/13 budget consultation. Consultation papers were also sent to local business representatives for their views and comments including the 20 largest business ratepayers in the Borough. In addition, prior to finalising the schools budget the Children and Young People Portfolio Holder consulted Head Teachers, Governors and the Schools Forum.

Other consultations this year included the future of children and family centres in Bromley, the future use of youth centres in Bromley and short break services for carers of disabled children.

The Council operates a Petition Scheme whereby any person who lives works or studies in the borough of Bromley can submit either a paper or e-petition. Once a petition has been validated a response will normally be sent back within 10 working days. All petition responses are published on the Council's website.

**13) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in Bromley's overall governance arrangements:**

Bromley works in partnership with many local organisations representing the views of residents and the public, private and voluntary sectors.

The Local Strategic Partnership Executive has been replaced by the Borough Officers' group which meets on an informal basis to monitor and direct the work of the main thematic partnerships. The group is chaired by the Chief Executive and includes representatives from the emergency and health services and the voluntary sector.

The thematic partnerships (Bromley Children and Young People; Health, Social Care and Housing, Safer Bromley and the Bromley Economic Partnership) hold open meetings and agenda papers and minutes are published on the Council website and/or the Bromley Partnership website. These are subject to scrutiny by the relevant PDS Committees.

**Review of Effectiveness**

Bromley 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 Corporate Management Team comprising directors and assistant directors within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, the Policy Development and Scrutiny annual report, the work of the Standards Committee and also by comments made by the external auditors and other review agencies and inspectorates.

As part of this review the Assistant Directors have completed and signed an Assurance Statement in relation to their own service areas. In turn each Chief Officer has reviewed the effectiveness of key controls, using a detailed checklist, to provide an overall Assurance Statement for their own directorates.

The governance framework and internal control environment encompasses all the organisation's policies, procedures and operations in place. At Bromley this is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

The process of maintaining and reviewing the effectiveness of the governance framework, including the system of internal control, includes the following elements:

#### Council Framework

We currently operate with a Leader and an Executive. The Leader personally controls all decisions about the Council's executive functions. He can then choose whether to make all decisions personally, or to make arrangements for others to do so.

The Executive contains the Leader and six Members each responsible for a portfolio. Each Portfolio Holder annually outlines, in a portfolio plan, their aims and what they will be doing towards achieving their goals and their performance targets.

The full Council is responsible for adopting the authority's constitution and Members' code of conduct and for approving the budget and policy framework within which the Executive operates.

Chief Officers are responsible for ensuring that Members are advised of the financial implications of all proposals liaising as necessary with the Finance Director. In addition they are responsible for promoting sound financial practices in relation to the standards, performance and development of staff in their departments.

#### Policy Development and Scrutiny Committees

Six Policy Development and Scrutiny (PDS) Committees have a major role in policy development and pre-scrutinising the decisions of the Executive. They have no decision making powers but make reports and recommendations which advise Portfolio Holders, the Executive and full Council on policies, budget and service delivery.

PDS Committees monitor the performance of services and functions within their remit assessing performance against key performance indicators and policy objectives. They are also involved in the budget setting process and provide comment and recommendations for the Executive to take account of when formulating the Council's annual budget. Similarly, PDS Committees monitor in-year spend of budgets and raise concerns where there is a possibility of overspend or other issues affecting spending priorities.

PDS Committees also monitor the decisions of the Executive and individual Portfolio Holders. Any five Members can challenge or 'call-in' a decision that has been made by the Executive. This enables them to consider whether the decision of the Executive was appropriate. They may recommend that the Executive reconsider the decision. They may also be consulted by the Executive or the Council on forthcoming decisions and the development of policy.

The Executive and Resources PDS Committee has an over-arching, coordinating role on behalf of the other five PDS Committees and provides an Annual Report to full Council summarising the work that has been carried out during the year.

The Committees are supported by the statutory Scrutiny Officer who also provides support and guidance to other Members on the functions of overview and scrutiny.

#### Internal Audit

Internal Audit operates to defined standards as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government. The effectiveness of the

system of the system of Internal Audit is measured by compliance with this code and peer reviews. Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal control.

An Annual Audit Plan is used to map out the cyclical coverage of fundamental financial systems and other audits. The plan is based on the identification of the Council's systems and activities to be audited, each assessed for risk. Work relating to prevention and detection of fraud and corruption is integrated into this audit planning process. Each audit is reported to the appropriate level of management together with agreed action plans where appropriate. In addition all significant weaknesses are reported to Audit Sub-Committee and followed-up until recommendations are implemented. The supporting summaries of audit reports help inform the overall assessment of internal controls.

The Head of Internal Audit is empowered to report any matter of concern directly and independently, to the Chief Executive, the Chairman of Audit Sub-Committee or the Leader of the Council, if necessary.

In his Annual Report to Audit Sub-Committee the Head of Internal Audit confirmed that 'my overall opinion on the control environment based on the internal testing and reviews undertaken is that I am able to place overall reliance on the internal controls identified and where there have been significant issues highlighted provide assurance that corrective management action has been or will be taken to mitigate the risks. Over the past year there have been investigations that highlighted a number of weaknesses but specifically in officers' understanding of financial regulations and contract procedure rules. These are being addressed by mandatory training of any officers involved in the finances of this authority. I can confirm that action plans have been agreed for all areas of identified weakness and Internal Audit will continue to apply close scrutiny to ensure that all current priority control weaknesses are addressed by management.'

In 2010 CIPFA issued their Statement on the Role of the Head of Internal Audit in Public Service Organisations. The Statement sets out five principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit. We confirm that the Head of Internal Audit meets these requirements.

### External Inspections

In their *Report to those charged with governance* 2010/11 published in September 2011, the external auditors PricewaterhouseCoopers LLP reported that:

- It is the responsibility of the authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the financial statements and our review of the annual governance statement.

We report internal control issues separately to the Finance Director and action plans have been agreed with officers. Our Internal Control Report, issued in September 2011, has been approved and officers are working actively to address the recommendations raised.

No significant issues were identified which require the attention of the General Purposes and Licensing Committee.

- We reviewed the 2010/11 Annual Governance Statement to consider whether it complied with the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

During the last year the Council has received the following assessments from other inspectorates:

#### **Ofsted - Annual Children's Services Assessment**

Rated 3 - Performs Well

#### **Ofsted – Bromley Fostering Service**

Rated Good

#### **HMI Probation – Report on Youth Offending work**

Overall, we consider this a very creditable set of findings

**Care Quality Commission - Review of compliance Adult Placement Scheme**

Adult Placement Scheme was meeting all the essential standards of quality and safety

Action plans to address any issues identified within these services are in place or under development.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Risk Management Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**Significant Governance Issues**

Last year we identified several significant issues due to budget reductions and the ongoing uncertainties as to future funding streams. The Council has to save more than £30m over the next 3 years and our capacity to continue to make budget savings and maintain frontline services will be tested to the full. We continue to review and scrutinise our services to increase efficiencies and identify potential savings and retain four year forward planning, despite the uncertainties on future funding. Any impact on governance issues will be addresses as part of this process.

The Constitution Improvement Working Group has been reconvened to make recommendations on potential changes to the Council's structures and processes arising from the Localism Act 2011. The key issues that affect standards, including the requirement to adopt a local Code of Conduct will be reported to full Council in the first half of the year.

As identified by Internal Audit a rolling programme of mandatory training for any officers involved in the finances of this authority on financial regulations and contract procedure rules is already in place.

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.

Signed.....

Signed.....

Chief Executive

Leader of the Council

Date.....

Date.....