



**Brighton & Hove  
City Council**

# **AUDIT & STANDARDS COMMITTEE ADDENDUM**

**4.00PM, TUESDAY, 21 JUNE 2016**

**THE RONUK HALL, PORTSLADE TOWN HALL**



# ADDENDUM

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<b>Subject:</b>	<b>Unaudited Statement of Accounts 2015/16</b>		
<b>Date of Meeting:</b>	<b>21 June 2016</b>		
<b>Report of:</b>	<b>Executive Director Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jane Strudwick</b>	<b>Tel: 29-1255</b>
	<b>Email:</b>	jane.strudwick@brighton-hove.gov.uk	
<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least 5 days in advance of the meeting) were that the accounts and audit working papers were still being finalised.

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 Under the Accounts and Audit Regulations 2015, the council's Statement of Accounts are to be approved by the Chief Finance Officer by 30 June and following the audit process are to be approved by Members by 30 September each year. Under Brighton & Hove City Council's constitution, the Audit & Standards Committee is charged with this responsibility.
- 1.2 Accordingly, this report presents the unaudited accounts for 2015/16 for information purposes only. Copies of the accounts are available to members of the Audit & Standards Committee. It is expected that the External Auditor will present an Audit Results Report to the September meeting of this committee on the conclusion of the audit of the 2015/16 accounts. An officer report will also be presented to that meeting to enable Members to consider and approve the statement of accounts.

**2. RECOMMENDATIONS:**

- 2.1 That the Audit & Standards Committee note the accounts for 2015/16 and note that these are subject to audit and public inspection.

**3. CONTEXT/ BACKGROUND INFORMATION**

- 3.1 The main legislative requirements relating to the preparation, publication and audit of the council's accounts are contained in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.
- 3.2 It is a requirement that the annual accounts should be prepared as soon as practicable after the end of the financial year and approved by the Chief Finance Officer by 30 June and considered by a committee or Full Council, and approved

by a resolution of that committee or meeting by 30 September. The accounts must be published and signed off by the External Auditor as soon as reasonably possible after conclusion of the audit and by 30 September.

### Format of Accounts

- 3.3 The council is required to present its accounts on an International Financial Reporting Standards (IFRS) basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and covering the period 1 April 2015 to 31 March 2016.
- 3.4 In accordance with the Accounts and Audit Regulations, the accounts include:
- a narrative report;
  - a statement of responsibilities;
  - the core financial statements (Movement in Reserves Statement (MiRS), Comprehensive Income and Expenditure Statement (CIES), Balance Sheet and Cash Flow Statement);
  - supplementary statements (Housing Revenue Account and Collection Fund);
  - the notes to the accounts; and,
  - accounting policies.

### Key Changes in the 2015/16 accounts

- 3.5 The council has fully adopted the new accounting standard IFRS 13 in respect of the fair value measurement of non financial assets and financial assets and liabilities (i.e. financial instruments). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- 3.6 In adopting IFRS 13 for local authorities, the Code has introduced the concept and definition of current value for the measurement of property, plant and equipment (PPE). This concept requires the council to measure the service potential and thus operating capacity used to deliver local authority goods and services through PPE assets. This means that the measurement requirements of operational PPE has not changed from the 2014/15 accounts. However the Code requires that non operational PPE classified as surplus assets are measured at fair value (estimated at highest and best use from a market participant's perspective). Investment property is also required to be measured at fair value.
- 3.7 In respect of financial instruments, the council's available for sale financial assets are held at fair value; all other financial assets and liabilities are carried at amortised cost.
- 3.8 In addition to ensuring that relevant assets and liabilities have been measured at fair value in accordance with the Code, the council is required to make enhanced disclosures under the fair value framework.
- 3.9 The Accounts and Audit Regulations 2015 have introduced a new requirement for category 1 authorities, such as this council, to prepare a narrative statement (report) which must include comment by the council on its financial performance and its arrangements for securing economy, efficiency and effectiveness in its use of resources over the financial year. In order to meet the new requirements, the Code recommends that the narrative statement should provide an analysis of

the development and performance of the council in the financial year and its position at the end of the year together with an analysis of the financial and non financial performance indicators as relevant to the performance of the authority. In essence, the new narrative report has replaced the explanatory foreword and has been enhanced to include new information, such as performance indicators and the direction of travel / strategic approach for the council, in order to meet the new requirements.

- 3.10 As part of the 2015/16 accounts closure process, officers have undertaken a significant review of the accounting policies for the accounts with the aim of streamlining them. Although much shortened, the review has not resulted in any fundamental changes to the council's accounting policies.

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

- 4.1 Under the Accounts and Audit Regulations 2015, the council's accounts are to be approved by the Chief Finance Officer by 30 June and following the audit process are to be approved by Members by 30 September each year. Under Brighton & Hove City Council's constitution, the Audit & Standards Committee is charged with this responsibility. The accounts are presented at this stage for information purposes only.

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

- 5.1 The purpose of this report is to present the council's accounts for 2015/16. There has been no external consultation, however, the accounts are required to be made available for public inspection and residents of Brighton and Hove are able to inspect the accounts during the period 15 June 2016 to 26 July 2016.

#### **6. CONCLUSION**

- 6.1 At this stage, the accounts are for information only.
- 6.2 The accounts have not been audited by the External Auditor. It is expected that the External Auditor will present their Audit Results Report to the September meeting of this committee on the conclusion of the audit of the 2015/16 accounts.
- 6.3 Any material changes resulting from the conclusion of the audit will be included in the accounts to be reported to the Audit & Standards Committee in September 2016. An accompanying officer report will be presented to that meeting, to enable Members to consider and approve the accounts.

#### **7. FINANCIAL & OTHER IMPLICATIONS:**

##### Financial Implications:

- 7.1 Detailed financial information is contained in the accounts. There are no other financial implications.

*Finance Officer Consulted: Jane Strudwick*

*Date: 13/06/16*

Legal Implications:

- 7.2 The relevant statutory requirements relating to the accounts are summarised in the report, in particular at paragraphs 1.1 and 3.1-3.2.
- 7.3 The report is for noting only. As indicated in para 1.1 above, the Committee has until 30 September to approve the council's statement of accounts. Officers will prepare a separate report on that process for consideration by the Committee in sufficient time to comply with that statutory deadline.

*Lawyer Consulted:*

*Victoria Simpson*

*Date: 13/06/16*

Equalities Implications:

- 7.4 There are no equalities implications arising directly from this report. The accounts are a statutory publication and are available for public inspection at the council's main offices and on the council's website. Information on the accounts will, as far as possible, be provided in a manner that meets the needs of those requesting information.

Sustainability Implications:

- 7.5 There are no direct environmental implications arising from this report. However, it is likely that the reputation of the council's financial control framework and its ability to demonstrate sound financial management could have an impact on the willingness of other funding partners to invest in or with the council. This could affect the level of inward investment in respect of projects that contribute towards sustainability.

Any Other Significant Implications:

- 7.6 There are no other significant implications arising from this report.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. None

### **Documents in Members' Rooms**

1. Unaudited Statement of Accounts 2015/16

### **Background Documents**

1. Unaudited Statement of Accounts 2015/16



<b>Subject:</b>	<b>Organisational Learning Review Update</b>		
<b>Date of Meeting:</b>	<b>21 June 2016</b>		
<b>Report of:</b>	<b>Monitoring Officer</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Abraham Ghebre-Ghiorghis</b>	<b>Tel: 29-1500</b>
	<b>Email:</b>	<b>Abraham.ghebreghiorghis@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that there was additional information awaited for inclusion before the report could be finalised.

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

1.1 The purpose of the report is to update Members on progress on implementing the recommendations of the Organisational Learning Review which was reported to the committee in November last year

**2. RECOMMENDATIONS:**

2.1 That Members note the progress on the action points arising from the Organisational Learning Review as set out in the Appendix to this report.

**3. CONTEXT/ BACKGROUND INFORMATION**

3.1 Following a disciplinary hearing resulting in the dismissal of a senior council officer in connection with the awarding of a contract for temporary accommodation, the Council commissioned an Organisational Learning Review. The scope for the review was:

- to carry out an independent review of the organisational governance and culture at Brighton & Hove City Council during the relevant period
- to identify the lessons for the organisation, how they can be acted upon and what can be expected to change as a result;
- to ensure that there are systems in place which support and enable all staff to report issues when an individual is not working within the values of the organisation.

3.2 The person commissioned to undertake was Caroline Tapster, a retired Chief

Executive who had the range of experience and practice to provide a robust and objective assessment for the organisation. The outcome of the review was reported to the Audit & Standards Committee on 17 November 2015. The report had 10 recommendations, which are set out in the Appendix.

3.1 Officers have been progressing the implementation of the recommendations and the updated position is set out in the Appendix to this report. Since the report, there have been significant improvements in many areas. Members' attention is also brought to the fact that:

- The whistleblowing arrangements are working better. In the last financial year, there have been some 22 whistleblowing allegations received and actioned. A quarterly meeting between the Monitoring Officer, Head of HR and the Head of Office reviews and Monitors progress on whistleblowing allegations.
- The arrangements for declaration on interests have been automated with regular reports generated for Executive Directors and with compulsory returns for senior officers
- There has been an audit of ethical governance which concluded with substantial assurance and a separate draft one on declaration of interests by officers which expected to provide reasonable assurance.
- The new competency framework being developed will result in more effective management and a corporate culture that challenges under performance and inappropriate behaviour whether it involves non-compliance with Council procedures or general bad behaviour.

3.2 The task of improving the Council's corporate governance and tackling fraud and corruption in an ongoing one. Officer will continue to look for ways of improving the arrangements further and report to the committee as appropriate.

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

4.1 The task of reviewing the councils policies, procedures, culture and practices with a view to continuous improvement contributes to the assurance framework and assists the Council is complying with its legal obligations as well as providing value for money. It is therefore not an optional extra but an essential activity vital to protecting council's interests and reputation.

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

5.1 Relevant Officers within the Council were consulted in compiling this report

#### **6. CONCLUSION**

6.1 It is clear from the actions listed in the appendix that progress has been made on the recommendations of the original report, but this needs to continue with further monitoring and reporting at appropriate junctures.

#### **7. FINANCIAL & OTHER IMPLICATIONS:**

Financial Implications:

- 7.1 There are no direct financial implications arising from this report. The progress on the action points support improved organisational governance and financial management.

*Finance Officer Consulted: James Hengeveld*

*Date: 16/06/2016*

Legal Implications:

- 7.2 The implementation of the recommendations in the report will assist the Council in complying with its fiduciary duty to taxpayers, achieve best value as well as complying with its code of corporate governance

*Lawyer Consulted:*

*Abraham Ghebre-Ghiorghis*

*Date: 16/06/2016*

Equalities Implications:

- 7.3 There are no equalities implications arising directly from this report

Sustainability Implications:

- 7.4 There are no sustainability implications arising from this report.

Any Other Significant Implications:

- 7.5 None

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Organisational Learning Review Progress Update

### **Documents in Members' Rooms**

1. None

### **Background Documents**

1. Report to 17 November Audit & Standards Committee on Organisational Learning Review



**Organisational learning review****Progress as at May 2016**

	<b>Recommendation</b>	<b>Action taken up to May 2016</b>	<b>Further action required</b>	<b>By when</b>	<b>Lead officer</b>
1	The recently revised Audit Protocol, Implementation and Follow-Up Actions, should be put into practice and managers reminded of their responsibilities if recommendations are not actioned via the reporting and escalation process.	Revised protocol put in place. <ul style="list-style-type: none"> <li>• All high and medium priority recommendations are loaded onto a SharePoint site.</li> <li>• Lead officers required to update progress on implementing recommendations.</li> <li>• Implementation rates reported to Audit &amp; Standards Committee with officers attending (where appropriate) to explain where progress has either not been updated or is unsatisfactory.</li> </ul>	Complete	n/a	Graham Lidell
2	All staff should be made aware of their responsibility for declarations of interest and the new system for sign off by a manager. Regular reports should be produced so that any obvious omissions can be identified and acted upon.	<ul style="list-style-type: none"> <li>• A number of awareness raising and reminder actions undertaken</li> <li>• System for declaration of interests e-enabled</li> <li>• All senior managers and some key staff required to make compulsory</li> </ul>	Simplify the electronic checking system	Completed but further improvements, including simplified system to be in place September	Abraham Ghebre-Ghiorghis

		<p>returns, even if no interests to declare</p> <ul style="list-style-type: none"> <li>• System for declarations of interest synchronised with related party transaction declarations</li> <li>• Managers prompted to review declarations and Directors get reports of declaration sin their directorate.</li> <li>• Higher levels of compliance achieved</li> <li>• Further improvements being considered to simplify the system, extend mandatory NIL declarations to all staff and ensure managers actively review declarations received.</li> </ul>		2016	
3	<p>Regular training and support should be provided for service managers in procurement and contract management focusing on areas of high risk identified by the Internal Audit team and the newly established procurement board.</p>	<p>A number of generic and targeted training events undertaken, including:</p> <ul style="list-style-type: none"> <li>- Contract Management training for Housing and Property contract managers</li> <li>- CSOs and statutory procurement law as part of the Housing &amp; Property Procurement Network held three</li> </ul>	<p>Continue training and awareness raising activity</p>	Ongoing	<p>Cliff Youngman/Abraham Ghebre-Ghioghis</p>

		<p>times a year;</p> <ul style="list-style-type: none"> <li>- Introductory training to Housing and Property staff for the new electronic tendering portal.</li> <li>- Three part Procurement and Contract Management training to ICT</li> <li>- Half of procurement team received training on the new Procurement system.</li> <li>- Training around basic procurement processes, compliance with school's scheme of delegations (Contract Standing Orders) access to Corporate Contracts and access to industry framework contracts to all local area schools at the Amex last year.</li> <li>- Delivery of CSO and Contract Management updates to Adult Social Care DMT</li> <li>- Delivery of CSO and Contract Management updates to EDH DMT</li> </ul>			
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## APPENDIX 1

4	All staff and members should be made aware of the code of conduct for member/officer relations and the code of conduct for employees and to understand how they are applied in practice by including them in all relevant training and induction materials.	<ul style="list-style-type: none"> <li>• Ad hoc advice and guidance provided</li> <li>• All relevant codes and guidance put on the wave and staff attention drawn to them</li> <li>• Need to check with a view to inclusion in the induction programme</li> </ul>	Consider inclusion in regular officer induction and member training	October 2016	Abraham Ghebre-Ghiorghis/Sue Moorman
5	Managing poor performance or dealing with complaints is the responsibility of line managers with support and advice from HR. Records should be kept of any complaints or grievances about individual staff so that even if the threshold for formal action is not met patterns of behaviour can be identified. These records should be made available to line managers to contribute towards the PDP process together with support to help them have what was described to me as having difficult conversations.	There is not a mechanism or available resource to centrally collate and use information in this way. Line managers are responsible for performance management of staff and maintaining supervision records. The development of the competency framework for all staff, based on behaviours will ensure that both the “what and how” performance is measured is a complete piece.	Implementation of competency framework	March 17	Sue Moorman
6	The PDP is being reviewed during phase two of the culture change programme, it should incorporate measures of performance against desired behaviours, and greater use made of 360 degree feedback beyond the senior team alongside other regular feedback mechanisms.	Competency framework development underway. Once complete, implementation will include relevant training and guidance. A further development will be to introduce a 360 assessment during 2017.	Implementation of competency framework  Development of 360 assessment	March 17  Autumn 17	Sue Moorman
7	As part of their ongoing training and development managers should be trained in performance	As part of the competency framework implementation	Implementation of competency	March 17	Sue Moorman



	management skills including setting SMART objectives, measuring outcomes, giving feedback and following through the consequences of both good and poor performance.	training and guidance will be provided to managers on the use of the framework in performance management .	framework		
8	Staff should be encouraged to make use of early resolution or mediation to avoid the need to immediately resort to a formal grievance. Coaching and mentoring should be made available to support newly appointed managers in developing their people management skills.	This approach is already underway and the new grievance procedure once agreed –places more emphasis on mediation and early resolution.	Adoption of grievance procedure and increase in mediated approaches.	Autumn 17	Sue Moorman
9	There are systems in place to support and enable staff to report issues when an individual is not working within the values of the council, but more needs to be done to ensure that staff have confidence in them, and that they can see evidence that their concerns are being taken seriously and acted upon and that they are properly embedded throughout the council. This should be one of the key priorities for year two of the culture change programme.	This is the approach underway as part of the culture change programme – performance with consequence. The development of the competency framework aligned with the broader set of performance data being developed by the performance team will address this.	Implementation of competency framework and aligned performance data.	Autumn 17	Sue Moorman
10	All managers should continue to be more visible throughout the organisation, to encourage more face-to-face communication through team meetings and staff briefings, roadshows etc. and use every opportunity to model good leadership behaviour, reinforce the values and set the tone for the working environment.	DMTs, relevant team meetings take place regularly. Road shows have been planned for the autumn. Regular monthly ELT bulletin provided. The management competence and values definition exercise will support this further	Hold roadshows and encourage good leadership though the management competence initiative. Complete defining the behaviours underpinning the 6 values.	Autumn 16	CEO/ELT/Head of HR

