

Audit & Standards Committee

Date: **24 January 2023**

Time: **4.00pm**

Venue: **Council Chamber, Hove Town Hall**

Members: Councillors Wilkinson (Chair), Hugh-Jones (Group Spokesperson), Atkinson, Meadows, Shanks, Simson, West and Yates

Independent Persons: Helen Aston and David Bradly

Contact: **John Peel**
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Date of Publication - Monday, 16 January 2023

AGENDA

Part One

Page

30 PROCEDURAL BUSINESS

- (a) **Declarations of Substitutes:** Where councillors are unable to attend a meeting, a substitute Member from the same political group may attend, speak and vote in their place for that meeting.
- (b) **Declarations of Interest:**
 - (a) Disclosable pecuniary interests;
 - (b) Any other interests required to be registered under the local code;
 - (c) Any other general interest as a result of which a decision on the matter might reasonably be regarded as affecting you or a partner more than a majority of other people or businesses in the ward/s affected by the decision.

In each case, you need to declare

- (i) the item on the agenda the interest relates to;
- (ii) the nature of the interest; and
- (iii) whether it is a disclosable pecuniary interest or some other interest.

If unsure, Members should seek advice from the committee lawyer or administrator preferably before the meeting.

- (c) **Exclusion of Press and Public:** To consider whether, in view of the nature of the business to be transacted or the nature of the proceedings, the press and public should be excluded from the meeting when any of the following items are under consideration.

Note: Any item appearing in Part Two of the agenda states in its heading the category under which the information disclosed in the report is exempt from disclosure and therefore not available to the press and public. A list and description of the exempt categories is available for public inspection at Brighton and Hove Town Halls and on-line in the Constitution at part 7.1.

31 MINUTES

7 - 14

To consider the minutes of the meeting held on 29 November 2022

Contact Officer: John Peel

Tel: 01273 291058

32 CHAIR'S COMMUNICATIONS

33 CALL OVER

- (a) Items 36 - 40 will be read out at the meeting and Members invited to reserve the items for consideration.
- (b) Those items not reserved will be taken as having been received and the reports' recommendations agreed.

34 PUBLIC INVOLVEMENT

To consider the following matters raised by members of the public:

- (a) **Petitions:** to receive any petitions presented to the full council or at the meeting itself;
- (b) **Written Questions:** to receive any questions submitted by the due date of 12 noon on the 18 January 2023;
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 18 January 2023.

35 MEMBER INVOLVEMENT

To consider the following matters raised by councillors:

- (a) **Petitions:** to receive any petitions submitted to the full Council or at the meeting itself;
- (b) **Written Questions:** to consider any written questions;
- (c) **Letters:** to consider any letters;
- (d) **Notices of Motion:** to consider any Notices of Motion referred from Council or submitted directly to the Committee.

36 FORMAL APPROVAL OF THE RISK MANAGEMENT FRAMEWORK 2022/23 15 - 42

Report of the Executive Director, Governance, People & Resources

Contact Officer: Luke Hamblin

Tel: 01273 291496

Ward Affected: All Wards

37 INDEPENDENT EXTERNAL ASSESSMENT OF ORBIS INTERNAL AUDIT 43 - 64

Report of the Executive Director, Governance, People & Resources

Contact Officer: Carolyn Sheehan

Ward Affected: All Wards

- 38 EXTERNAL AUDITOR'S ANNUAL REPORT 2021-22 65 - 102**
Report of External Audit
Ward Affected: All Wards
- 39 MEMBER ALLOWANCES UPDATE 103 - 108**
Report of the Executive Director, Governance, People & Resources
Contact Officer: Abraham Ghebre-Ghiorghis Tel: 01273 291500
Ward Affected: All Wards
- 40 ANNUAL REVIEW OF STANDARDS-RELATED MATTERS, INCLUDING MEMBER COMPLAINTS 109 - 126**
Report of the Executive Director, Governance, People & Resources
Contact Officer: Victoria Simpson Tel: 01273 294687
Ward Affected: All Wards
- 41 ITEMS REFERRED FOR COUNCIL**
To consider items to be submitted to the 2 February 2023 Council meeting for information.

In accordance with Procedure Rule 24.3a, the Committee may determine that any item is to be included in its report to Council. In addition, any Group may specify one further item to be included by notifying the Chief Executive no later than 10am on the eighth working day before the Council meeting at which the report is to be made, or if the Committee meeting take place after this deadline, immediately at the conclusion of the Committee meeting
- 42 ITEMS FOR THE NEXT MEETING**

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Further information

For further details and general enquiries about this meeting contact John Peel, (01273 291058, email john.peel@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

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Brighton & Hove City Council

Audit & Standards Committee

4.00pm 29 November 2022

Council Chamber, Hove Town Hall

Minutes

Present: Councillor Wilkinson (Chair) Hugh-Jones (Group Spokesperson), Atkinson, Meadows, Shanks, West and Yates

Independent Persons present: Helen Aston

Part One

16 PROCEDURAL BUSINESS

16a Declarations of substitutes

16.1 There were none.

16b Declarations of interests

16.2 Helen Aston declared a pecuniary interest as a member of the Executive Board of the Pensions Regulator and would not take part in any matters relating to those issues.

16c Exclusion of the press and public

16.3 In accordance with Section 100A of the Local Government Act 1972 ("the Act"), the Committee considered whether the public should be excluded from the meeting during consideration of any item of business on the grounds that it is likely in view of the business to be transacted or the nature of the proceedings, that if members of the public were present during it, there would be disclosure to them of confidential information as defined in Section 100A (3) of the Act.

16.4 **Resolved** - That the press and public not be excluded.

17 MINUTES

17.1 **Resolved** – That the minutes of the previous meeting held on 28 June 2022 be approved as the correct record.

18 CHAIR'S COMMUNICATIONS

18.1 The Chair provided the following communications:

“I wish to begin by paying tribute to the late Cllr Garry Peltzer Dunn who sat on this committee. Since becoming a councillor in 2019 I quickly came to realise what a true gentleman Garry was and a shining example of how to conduct oneself as a public servant. He treated councillors of all parties and none, officers and residents alike with respect and courtesy, and he worked tirelessly for his local residents and in service of the city for half a century. This committee and the council will certainly miss him.

Garry regularly showed how to debate agreeably with colleagues both inside this chamber and on that point I would like to remind members that the role of the Audit & Standards Committee is different from that of a policy Committee. Our focus is on proper governance, transparency and financial accountability. We should therefore focus on the facts as presented before us and avoid unnecessary, highly political or over- personalised rhetoric. In hoping everybody will agree that this is the proper way to proceed, I wish to acknowledge the contribution made by all members of this committee in carrying out its key governance role at this time of continued pressures and challenges, and the demands that that places on us all”.

19 CALL OVER

19.1 The following items on the agenda were reserved for discussion:

- Item 23: Audited Statement of Accounts 2021-22
- Item 24: Internal Audit & Counter Fraud Quarter 1 Progress Report 2022/23
- Item 25: Internal Audit & Counter Fraud Quarter 2 Progress Report 2022/23
- Item 27: Standards Update

19.2 The Democratic Services Officer confirmed that the items listed above had been reserved for discussion and that the following reports on the agenda with the recommendations therein had been approved and adopted:

- Item 22: Audit Findings Report 2021-22
- Item 26: Anti-Fraud and Corruption Strategy Framework 2022-24

20 PUBLIC INVOLVEMENT

No items were received from members of the public.

21 MEMBER INVOLVEMENT

(b) Written Questions

(1) Meetings held by the Chair

21.1 Councillor Meadows read the following question:

“It has been reported in the press that on Tuesday 30th of August you held a meeting with a local group that provided you with evidence of further irregularities of Councillor expenses.

It has been further reported that following this, a preliminary investigation has been commenced into the matters raised.

Can you provide the Committee with an update on this matter, your meeting(s) with this residents' group and this investigation?"

21.2 The Chair provided the following reply:

"I can confirm that I did meet with the Friends of Brighton and Hove Citizens Action Group to discuss their request for an urgent audit of claims made by Cllr Tom Druitt relating to the Dependant Carer's Allowance.

The complaint centred on a conflict between Social Media comments where Cllr Druitt stated that he had not made claims in relation to childcare allowances, and the published records of member expenses for 2018/19 and 2019/20, which included four claims for Dependant Carer's Allowances from Cllr Druitt for four meetings attended between January and June 2019.

Having noted this apparent conflict, I asked senior officers to review the concerns raised and to report back to me, which they have now done. The Friends Action Group has now received a detailed account of the enquiries carried out by the Assistant Director of Legal & Democratic Services and her findings in order to provide reassurance that the information they supplied has been considered properly.

I can confirm that enquiries indicated that child care allowances were claimed and paid to Cllr Druitt in respect of the four meetings mentioned above. The total cost of the allowances paid was £111.54.

The Member Allowance Scheme provides that Councillors may make claims pursuant to the council's Dependent Carer Allowance for attendance at council meetings and for council duties up to a maximum of £9 per hour for each child. A total of one hour of travelling time can be added to the claim where applicable to allow the councillor to travel to and from meetings, provided the child remains with the carer for the duration.

The review has found that the correct forms were received and checked by Democratic Services in relation to the meetings attended by Cllr Druitt. The claims related to Council meetings which Cllr Druitt did attend, and which it was legitimate for Cllr Druitt to claim a dependant carers allowances for.

Councillor Druitt has indicated that he did state on social media that he had never claimed child care expenses. He has stated that at the time he made the comments, he believed them to be true. As soon as he reviewed the claims in his name, he removed his comments from Facebook. He also took a decision to repay the allowances. He repaid £116 in March 2022 although there was no requirement for him to do so given that the claims related to legitimate allowances paid for attendance at meetings he did attend in accordance with the Council's Allowances Scheme.

I'm going to finish my response by quoting from the review letter which has been forwarded to the Friends Group, which I think is worth reading out to give maximum reassurance:

'The fact that the Social Media posts were not accurate has not impacted on the validity of the claims that were made, no fraud has been committed and no payment has been made to Cllr Druitt in error. The expenses were claimed for legitimate Council business and paid under the Dependant Carers Allowance Scheme'.

The letter concludes by saying:

'Following the Audit investigation, further steps have been agreed in relation to the processing arrangements for Councillor Allowances and a follow up report is being brought to the January 2023 Audit & Standards Committee.

There is no evidence of any incorrect claim having been made by Cllr Druitt therefore no further action is proposed.'

In conclusion, having reviewed the information supplied to me and considered the outcome of the enquiry into the concerns of the Group carried out by the Assistant Director of Legal & Democratic Services, I have taken the view that no further action is necessary. I'd like to thank the Friends of Brighton and Hove Citizens Action Group for their time & trouble and to confirm that they have been advised of this outcome by email".

21.3 Councillor Meadows put the following supplementary question:

"Can we confirm who signed and submitted those claim forms on behalf of Councillor Druitt and is this a practice we need to be aware of at Standards Committee?"

21.4 The Chair provided the following reply:

"I can confirm as I said earlier that the correct forms were received and checked by Democratic Services in relation to the meetings attended by Councillor Druitt. The claims related to Council meetings which Cllr Druitt did attend, and which it was legitimate for Cllr Druitt to claim a dependant carers allowances for. Having reviewed the information supplied to me and considered the outcome of the enquiry into the concerns of the Group carried out by the Assistant Director of Legal & Democratic Services, I have taken the view that no further action is necessary".

(2) Minutes

21.5 Councillor Meadows read the following question:

"Can the Chair provide an explanation as to why the minutes of the last Audit & Standards Committee meeting that were presented to the Full Council meeting on the 21st of July to accompany the item 'Audit Report on Member Expenses' did not include the contributions of either Conservative Councillor at that meeting?"

21.6 The Chair provided the following reply:

"Thank you for your question. The minutes of any committee meeting are not the official, agreed record until they have been approved by the next meeting of the committee.

The minutes that accompanied the report referred for information to Full Council in July were a brief record of the points raised at our previous meeting and were produced at haste, to give Full Council a very draft overview of some the questions raised at the committee as well as accounting for the amendment approved at the meeting. I note that the report was referred to that meeting for information and not for decision.

The time between July and now has given opportunity to review the draft and expand it where necessary.

Going forward, any minute extract that is referred from one committee meeting to another, will make it very clear within the extract that it is draft if it has not yet been agreed by that committee.

We have received and approved the formal record of our previous meeting to today's meeting.

Minutes are not a verbatim record of the meeting and Members have an opportunity under Standing Order 12 to raise matters of accuracy".

21.7 Councillor Meadows put the following supplementary question:

"Why does the Council sanitise webcast and minutes to distort the record of what actually happened"

21.8 The Chair provided the following reply:

"The minutes in question are draft and an extract of the proceedings of the meeting of this committee held in June have been put before this committee and have been agreed. Minutes are not a verbatim record of proceedings but serve to pick up the main threads of the discussion that led to the conclusion. Therefore, I cannot support your view that the minutes have been sanitised in any way on the basis of what I have just presented to you. They are not a verbatim account, they are draft and therefore, I believe that question has been answered".

(c) Letters

21.9 The Committee considered a Letter submitted by Councillor Meadows requesting monthly publication of Members Expenses.

21.10 The Chair provided the following response:

"Following the recommendations at Audit & Standards Committee 28 June 2022, Officers are working to implement electronic claim forms and digitising the process for Member Allowance claims. This will make the audit and review of claims simpler and quicker in the future. It will also ensure that councillor expenses are published within two months of the end of the financial year and that the council continues to comply with its statutory duty which is to publish these figures annually.

Audit & Standards Committee requested an update report be brought as soon as reasonably possible to a future meeting and I can confirm that this report will be received at the meeting in January 2023.

The Council does not have the officer resource that would be required to move from the annual publication of expenses to monthly publication of these figures.

21.11 **Resolved-** That the Committee note the Letter.

22 AUDIT FINDINGS REPORT 2021-22

23 AUDITED STATEMENT OF ACCOUNTS 2021-22

23.1 The Committee considered a report of the Executive Director, Governance, People & Resources that provided information about the audit of the council's 2021/22 Statement of Accounts and recommends approval of the 2021/22 audited accounts and the Letter of Representation on behalf of the council.

23.2 Councillors West, Hugh-Jones, Atkinson, Meadows, Yates and Helen Aston asked questions and contributed to the debate of the report.

23.3 **Resolved-** That the Audit & Standards Committee:

- 1) Notes the results of the public inspection of the accounts (paragraph 5).
- 2) Approves the Letter of Representation on behalf of the council (Appendix 1).
- 3) Approves the audited Statement of Accounts 2021/22 (Appendix 3) for publication.
- 4) Delegates authority to the Chief Finance Officer for any final wording and/or immaterial adjustments to the accounts prior to publication.

24 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 1 PROGRESS REPORT 2022/23

24.1 The Committee considered a report of the Executive Director, Governance, People & Resources that provided an update on all internal audit and counter fraud activity completed during quarter 1 (2022/23), including a summary of all key audit findings. The report also included an update on the performance of the Internal Audit service during the period.

24.2 Councillors West, Hugh-Jones, Meadows, Yates and Shanks asked questions and contributed to the debate of the report.

24.3 **Resolved-** That the Committee note the report.

25 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 2 PROGRESS REPORT 2022-23

25.1 The Committee considered a report of the Executive Director, Governance, People & Resources that Committee considered a report of the Executive Director, Governance, People & Resources that provided an update on all internal audit and counter fraud activity completed during quarter 2 (2022/23), including a summary of all key audit findings. The report also included an update on the performance of the Internal Audit service during the period.

25.2 Councillors Yates, Meadows, West, Hugh-Jones and Atkinson asked questions and contributed to the debate of the report.

25.3 **Resolved-** That the Committee note the report.

26 ANTI- FRAUD AND CORRUPTION STRATEGY AND FRAMEWORK 2022-24

Resolved- That the Committee approve the Council's Anti-Fraud and Corruption Strategy and Framework attached as Appendix 1.

27 STANDARDS UPDATE

- 27.1 The Committee considered a report of the Monitoring Officer that provided a quarterly update on member complaints and on Standards-related matters.
- 27.2 Councillors West, Yates, Meadows, Shanks and Atkinson asked questions and contributed to the debate of the report.
- 27.3 **Resolved-** That Committee notes the information in the Report.

28 ITEMS REFERRED FOR COUNCIL

- 28.1 No items were referred to Full Council for information.

29 ITEMS FOR THE NEXT MEETING

- 29.1 The Committee agreed to receive a report outlining actions being undertaken in relation to the partial audit assurance issued on Health & Safety.

The meeting concluded at 6.00pm

Brighton & Hove City Council

Audit & Standards Committee

Agenda Item 36

Subject: Risk Management Framework

Date of meeting: 24th January 2023

Report of: Executive Director, Governance, People and Resources

Contact Officer: Name: Rima Desai, Luke Hamblin
Tel: 01273 291268, 01273 291496
Email: rima.desai@brighton-hove.gov.uk,
luke.hamblin@brighton-hove.gov.uk

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 This report provides committee with an oversight of the Brighton & Hove City Council's current Risk Management Framework with a view to seeking their approval.

2. Recommendations

2.1 That the committee approves the Risk Management Framework as set out in Appendix 1.

2.2 That the committee notes the current strategic risks and committees they are reported to as set out in Appendix 2.

2.3 That the committee notes that internal audit of risk management conducted in 2022/23 provided 'Substantial Assurance'. This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

3. Context and background information

3.1 Risk management is part of the Performance Management Framework.

Best Value Authorities are under a general Duty of Best Value 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."

3.2 Risk management is integral to corporate governance

Corporate governance is about doing the right things in the right way. It's about demonstrating accountability and transparency in our actions and decisions, and is everyone's responsibility.

- Establishing and following robust systems and processes

- Demonstrating effective leadership and high standards of behaviour
- Creating a culture based on openness and transparency
- Keeping our focus on the needs of service users and the public

Corporate Governance:

- Helps the council avoid costly mistakes and keeps the council safe
- Protects the council's reputation
- Assists effective decision making and prioritises deployment of resources

3.3 The responsibilities of the Audit & Standards Committee in the Council's Constitution include considering the effectiveness of the council's arrangements for the management of risk required by regulation 3(c) of the Accounts and Audit Regulations 2015

3.4 An audit of risk management was conducted in summer 2022. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives. The outcome of this audit was 'substantial assurance'.

- The Council has in place a robust Risk Management Framework which facilitates the effective identification, assessment and response (where appropriate) to risks.
- Management ensure that risks are subject to appropriate identification, assessment and response (where appropriate) in accordance with the organisation's Risk Management Framework.
- Effective mitigations are in place to minimise the impact and / or likelihood of occurrence of the risks identified.
- Robust reporting arrangements are in place to allow for effective senior officer and Member oversight.

4. Analysis and consideration of alternative options

4.1 A CIPFA review conducted in July 2021 confirmed that our risk management was appropriate. Suggestions for improvement were included in the review which the council is in the process of implementing.

5. Community engagement and consultation

5.1 This is an internal matter to comply with legislation and as such no engagement or consultation has been undertaken in this regard.

6. Conclusion

6.1 The council believes it has a robust Risk Management Framework as evidenced by this report to meet the challenges of delivering services in the financial context that local authorities are working in.

7. Financial implications

- 7.1 The Risk Management Framework detailed in Appendix 1 will help the authority to safeguard its public finances. There are no financial implications in the report's recommendations

Name of finance officer consulted: Peter Francis Date consulted: 29/11/2022

8. Legal implications

- 8.1 The Council has delegated to the Audit & Standards Committee responsibility for carrying out independent scrutiny of the Council's processes, procedures and practices to the extent that they affect the Council's control environment and exposure to risk. This Committee is the correct body for reviewing the Council's risk management framework, having been delegated the task of providing reassurance on the adequacy and effectiveness of that framework.

- 8.2 All corporate Strategic Risks potentially have legal implications. Strategic Risk details are reported to relevant service committees; these include reference to key implications.

Name of lawyer consulted: Victoria Simpson Date consulted: 01/12/22

9. Equalities implications

- 9.1 Risk Owners are requested to ensure that equalities implications are considered in describing strategic risks, their potential consequences and when developing mitigating actions.

- 9.2 SR25 has a key focus on equalities through the Our People Promise strategy, specifically through the Fair and Inclusive Action Plan and the Corporate and Directorate Equalities Delivery Groups.

10. Sustainability implications

- 10.1 Risk owners are requested to consider sustainability implications, and this will continue to be part of regular ELT and DMT risk review sessions.

- 10.2 SR36 has a key focus on sustainability through the Carbon Neutral modernisation programme. In addition, any sustainability implications of a direct nature are normally referenced within the risk description of any relevant strategic risks.

Supporting Documentation

1. Appendices

1. Appendix 1: Risk Management Framework
2. Appendix 2: Strategic Risk List

2. Background documents

1. None

Risk Management Framework



**Brighton & Hove
City Council**

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Introduction

What is risk and risk management?

A risk is the potential of an uncertain situation or event to impact on the achievement of objectives. Risk management is the process of identifying, assessing and controlling threats to an organisation's objectives. Risks have potential to adversely affect achievement of our objectives. Identifying risks supports an organisation in planning effectively to achieve its objectives.

Risk management is part of the Performance Management Framework

Best Value Authorities are under a general Duty of Best Value 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.”



The eight elements of the Performance Management Framework allow us to understand the performance of the council as a whole which will give us better context in which we are operating. The elements are inter-related; most services contribute to every element in the framework.

The Performance Management Framework sets out to ensure:

- strong leadership at all levels which is consistent and fair and challenges blame culture
- commitment to the accountability that has been assigned to individuals
- the right information reaching the right people at the right time so that decisions are made and actions are taken
- ongoing evaluation, review and learning to help improve future performance
- the ability to identify and commitment to rectify poor performance at an early stage

Risk management is integral to corporate governance

There is a statutory requirement for each local authority to conduct a review of its system of internal control and prepare and publish an Annual Governance Statement (AGS) at least once every financial year. The purpose of the AGS is to demonstrate that there is a sound system of governance and show compliance with its [Local Code of Governance \(approved 25 July 2017\)](#). The AGS sets actions to strengthen governance and reviews progress of actions in the previous year.

What is corporate governance?

- The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved
- How the council makes sure it does the right things in the right way for the right people
- Establishing and following robust systems and processes
- Demonstrating effective leadership, including accountability and transparency in actions and decisions
- Creating a culture based on openness, inclusivity and honesty
- Keeping our focus on the needs of service users and the public, ensuring public money is safeguarded, accounted for and used efficiently and effectively
- Ongoing continuous improvement to further strengthen the way the council operates

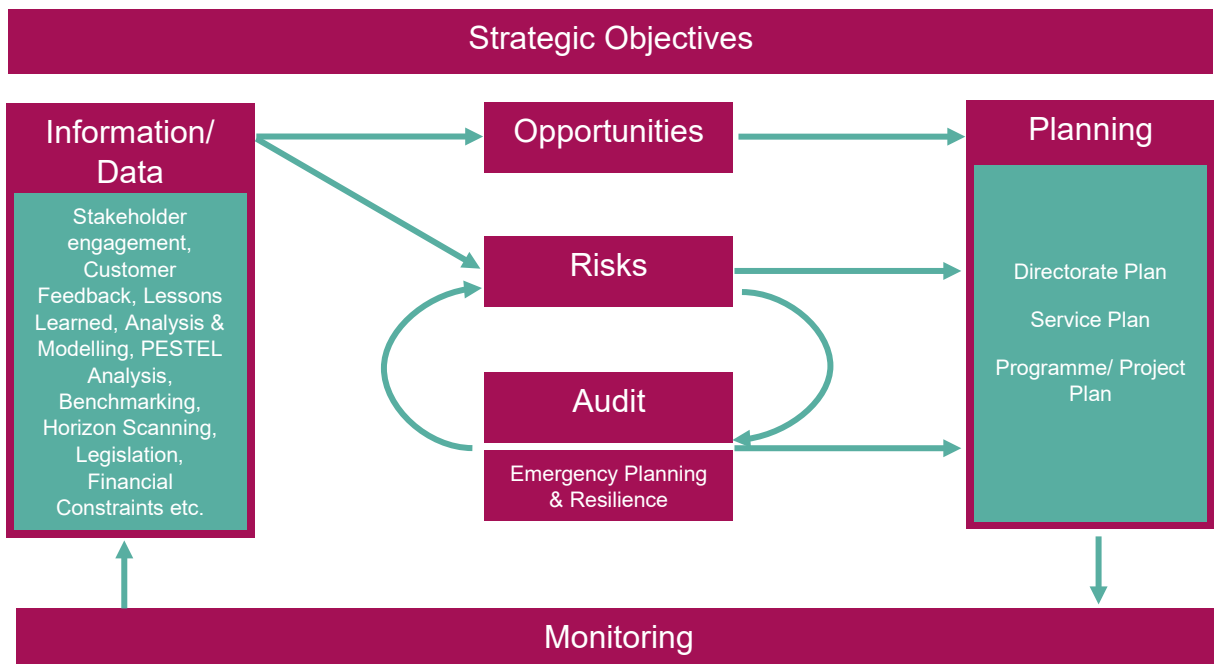
The seven principles of Good Governance, from 'Delivering Good Governance in Local Government Framework 2014' published by CIPFA/IFAC, are:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcome
- E. Developing the entity's capacity including the capacity of its leadership and with individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practice in transparency, reporting and audit to deliver effective accountability



Risk management is necessary for achieving our strategic objectives

This diagram shows how risks should be considered to inform our planning and audits to ensure we meet our strategic objectives with good governance.



Risk Management is part of our Behaviour Framework

Our behaviour framework provides us with a common language for how we go about our daily work alongside our PDP objectives that describe what we do; helping us to manage and improve our performance to build a better, more effective organisation with better outcomes for our customers and stakeholders. The following sections are particularly relevant to risk management:

Efficiency

- I scrutinise evidence, data and risks before I make a decision or a recommendation.
- I speak to the right person if there are any problems I can't solve myself.
- I am willing to take considered risks to deliver better results.

Leadership & management

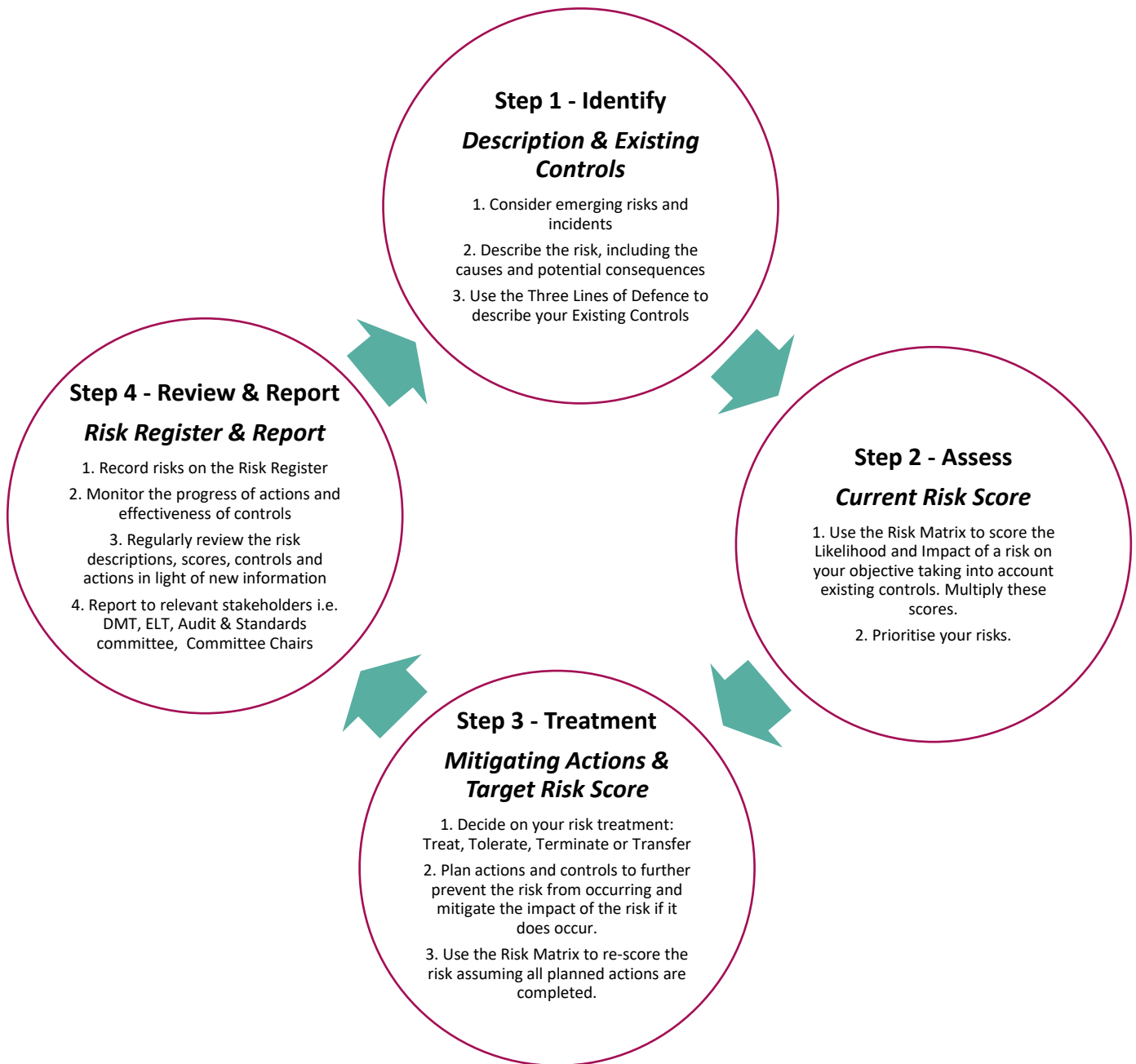
- I take advantage of social, cultural, environmental and technological change to establish the most effective and efficient delivery of our service.
- I look ahead to anticipate change and take time to plan for the future.
- I take accountability to ensure sound governance of our organisation.
- I consider potential risks and opportunities before I make any decisions.



Risk Management Approach

Risk Management Process

The risk management process is used to manage risks.



Risk Levels

When identifying and assessing the risk, it needs to be prioritised and managed at the right level. This could be at a strategic (corporate), directorate, service/team or programme/project level.

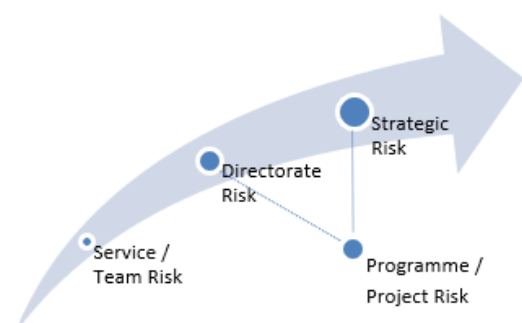
The level of a risk will depend on the scope, scale of potential impact and the type of response required. Risks can be escalated or de-escalated between levels through reviews.

Level & Risk Owner	What makes this type of risk?	Oversight
<u>Strategic Risk (SR)</u> A member of Executive Leadership Team (ELT)	*Affects multiple directorates/ organisations *Impacts on achievement of the Corporate Plan *Requires cross-directorate response	Audit & Standards Committee Relevant Committees External & Internal Audit Executive Leadership Team
<u>Directorate Risk (DR)</u> A member of a Directorate Management Team (DMT)	*Affects multiple services/ departments *Impacts on achievement of the Directorate Plan *Requires directorate level response	Relevant Committees Internal Audit Executive Leadership Team Directorate Management Team
<u>Service/Team Risks</u> Head of Service or Team Leader	*Limited to individual team/ service *Impacts on achievement of the service's plan and objectives *Response can be managed within service	Directorate Management Team Heads of Service
<u>Programme/Project Risks</u> A member of Programme/Project Board	*Impacts on achievement of the Programme/Project's objectives *Response can be managed within Programme/Project	Corporate Modernisation Delivery Board or ELT Directorate Modernisation Board or DMT Programme/Project Board

Our Corporate Risk Assurance Framework uses the 'three lines of defence model' to assess the effectiveness of how we manage organisational risks. Audit & Standards Committee have oversight of the risk management framework.

Strategic risks are owned by an Executive Leadership Team (ELT) lead. ELT leads are responsible for discussing strategic risks with the relevant committee chairs with a view to mitigating these as appropriate. Any member can approach an ELT lead with risks that they foresee for them to take account of it in their risk review sessions. Strategic risks are reviewed regularly by the Executive Leadership Team (ELT).

Directorate and strategic risks are reviewed regularly by Directorate Management Teams (DMTs); risk registers are live documents. Newly identified risks, suggested amendments to strategic risks and the Directorate Risk Registers are reported to ELT as part of their risk review.



All officers are expected to escalate risks to the relevant DMT lead. Risk management training is available to all officers.

Roles & Responsibilities

Role	Responsibilities
<i>Audit & Standards Committee</i>	Oversight of the risk management framework and recommend improvements to strengthen risk management
<i>Committee Chairs</i>	Oversight of relevant risks
<i>Executive Leadership Team (ELT)</i>	Accountable for the Strategic Risk Register Review the strategic risk register, ensuring it contains appropriate risks and they are managed effectively Agree recommendations in changes to strategic risks Promote culture of risk management Each Executive Director is responsible for their Directorate Risk Register
<i>Directorate Management Team (DMT)</i>	Management of the directorate risk register, ensuring it contains appropriate risks and they are managed effectively Escalation/de-escalation of risks between service, directorate and strategic levels
<i>Risk Owner</i>	Accountable for the management of assigned risks, ensuring descriptions, assessments and risk scores are accurate, and suitable controls and actions are in place to mitigate the risk Provide updates on the risk, including any emerging information which may impact the risk
<i>Risk Action Lead</i>	Responsible for delivering the action assigned Provide progress updates Support the risk owner to describe and mitigate the risk
<i>Programme Manager responsible for risk</i>	Maintain the Strategic Risk Register through regular reviews with DMTs and ELT Support DMTs to review their Directorate Risk Registers Implement and review the risk management framework

Risk Management Process

Step 1 – Identify – Risk Description & Existing Controls

Identifying risks is the first stage of the risk management process. Risks can be identified by anyone, but they need to be carefully described so that the organisation is fully aware of the causes and potential consequences so that the right controls and actions can be put in place to mitigate the risk.

Risk Description

The **risk title** is a short summary that clearly explains the risk event. The risk title often begins with terms such as:

- Loss of ...
- Uncertainty of ...
- Ineffective Partnership with ...
- Slow Development of ...
- Unable to take up Opportunity to ...
- Threat of ...
- Failure to ...
- Lack of...

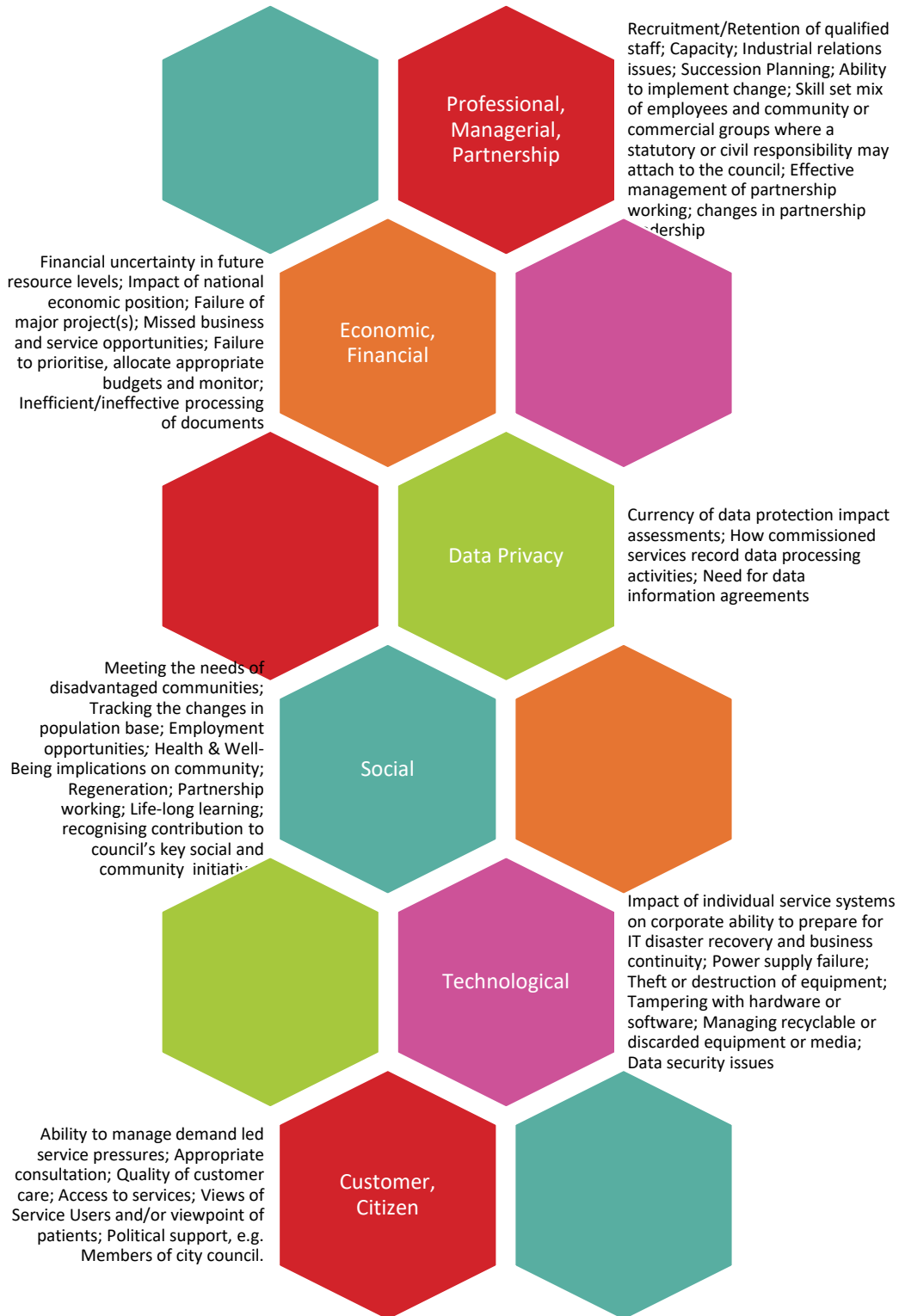
Causes are the reasons why the risk event could occur and **potential consequences** are the potential outcomes if the risk event does occur. It is important to consider equality and sustainability implications, as well as legal and reputational.

Describing risks is best done in groups of stakeholders who are responsible for delivering or impacted by the objectives that the risk may impact. It is important to identify risks when:

- Setting strategic aims
- Setting business objectives
- Writing directorate or service plans
- Project planning
- Appraising options
- Making changes to business set up or service provision
- Reviewing audits
- Learning from incidents

The risk categories below can be useful to help prompt areas where risks could be identified.

Risk Categories Checklist





Existing Controls

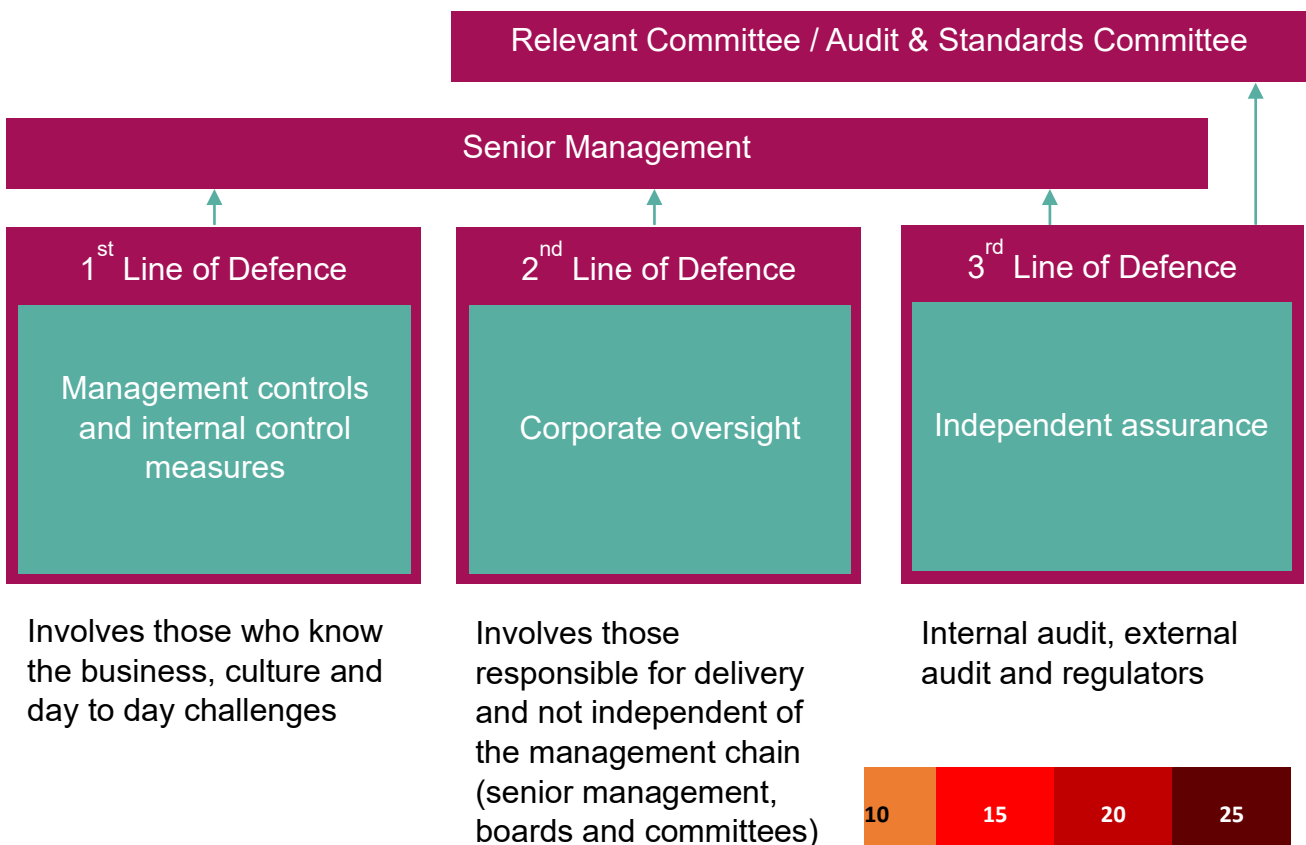
Controls are measures that are embedded to either prevent the risk event from occurring or reduce the impact of the risk if it does occur.

The Three Lines of Defence model has been practiced for a number of years, particularly within financial services, central government and the NHS and our Corporate Risk Assurance Framework (CRAF) uses the 'three lines of defence model' to assess the effectiveness of how we manage organisational risks.

The Three Lines of Defence model outlines three levels of assurance. Using the Three Lines of Defence for Existing Controls for each risk provides an 'assurance map' so that we can clearly see the sources of assurance and existing processes specific to that risk.

The use of the Three Lines of Defence model demonstrates:

- your plan to ensure that proper controls are in place
- that checks are in place for all areas of control
- that you are making best use of the assurance process, i.e. all areas are checked by someone and duplication is avoided.



Step 2 – Assess – Current Risk Score

Risks are prioritised by assigning risk scores 1-5 to the likelihood (L) of the risk occurring, and the potential impact (I) if it should occur.

		10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Almost impossible (1)	1	2	3	4	5
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
	IMPACT				

These L and I scores are multiplied; the higher the result of L x I, the greater the risk. e.g. L4xI4 which denotes a Likelihood score of 4 (Likely) x Impact score of 4 (Major), which gives a total risk score of 16.

A colour coded system, similar to the traffic light system, is used to distinguish risks that require intervention. Red risks are the highest (15-25), amber risks are significant (8-14), yellow risks are moderate (4-7), and then green risks are lowest (1-3).

The purpose of scoring is to prioritise risks to ensure resources are allocated to the most significant risks. Heat maps are a helpful way to see how risk scoring compares.

The Strategic Risk Register mostly includes high (red) and significant (amber) risks. Directorate Risk Registers are likely to include high, significant, moderate (yellow) and low (green) risks.

The current risk score takes into account existing controls that are already embedded.

Scoring should be a realistic assessment without optimism bias. The risk scoring guidance below can support you to assess the risk score.

Likelihood Risk Score

Risk Score	Likelihood Descriptor	Guidance
1	Almost Impossible	Difficult to see how this could occur. Has happened very rarely before or never Is a highly unlikely climate scenario, even at the extremes of climate projections
2	Unlikely	Do not expect occurrence but it is possible. Less than 10% chance of occurrence May have happened in the past; unlikely to happen in the next three years
3	Possible	May occur occasionally. Only likely to happen once in 3 or more years Has happened in the past; reasonable possibility it will happen as part of climate change scenarios
4	Likely	Will occur persistently but is not an everyday occurrence. Likely to happen at some point within the next 1-2 years Circumstances occasionally encountered within likely climate change scenarios
5	Almost Certain	High probability of situation occurring Regular occurrence, Circumstances frequently encountered, daily/weekly/monthly

Impact Risk Score

Impact Type	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
Health	minor injury, basic first aid required, 1 person affected, no days absence, no delay	non-permanent harm, short-term injury, resulting in absence of up to 3 days. 1 – 2 persons affected	causing semi-permanent disability, injury, disease or harm which could interrupt attendance at work for 3-28 days AND/OR affects 3 - 50 people	causing death, permanent disability, serious injury or harm, e.g. loss of function or body part(s), serious disability, single death of any person. 51-200 people affected. Long term absence from work (28-84 days), extended medical attention required, e.g. up to a month in hospital	multiple deaths involving any persons, greater than 200 people affected, more than 84 days absence, more than 30 days extended hospital stay
Impact on city life	insignificant disruption to community services, including transport services and infrastructure	minor localised disruption to community services or infrastructure less than 24 hours	damage that is confined to a specific location, or to a number of locations, but requires additional resources. Localised disruption to infrastructure and community services	significant damage that impacts on and possible breakdown of some local community services. Requires support for local responders with external resources	extensive damage to properties and built environment in affected areas. General & widespread displacement of more than 500 people for prolonged duration. Community unable to function without significant support
Service Delivery	no service disruption, unlikely to cause complaint or instigate	minor service disruption, complaint possible, litigation unlikely	moderate service disruption. High potential for complaints,	service closure for 1-7 days, complaints expected, litigation	service closure for more than 7 days or closure of multiple

	litigation		litigation possible, but not certain	expected	services, complaints certain, litigation certain
Economic	none/minimal financial burden (less than £100, can be resolved at local service / department level), minor interruption to income generation, no permanent loss	minimal financial burden or disruption to income generation (less than £1,000 but greater than £100). Can be resolved at line manager/ service manager level through usual budgetary measures	moderate financial burden (less than £10,000 but greater than £1,000). Interruption to income generation lasting less than 14 days, majority of income recoverable but at additional cost	major financial burden (less than £100,000 but greater than £10,000). Can include significant extra clean up and recovery costs.	catastrophic financial burden (greater than £100,000). Extensive clean up and recovery costs
Environment	insignificant impact on environment	minor impact on environment with no lasting effects	limited impact on environment with short-term or long term effects	significant impact on environment with medium to long term effects	serious long-term impact on environment and/or permanent change.
Reputation	organisation(s) reputation remains intact	minimal impact on organisation(s) reputation	moderate impact on organisation(s) reputation	major impact on organisation (s) reputation / National adverse publicity	catastrophic impact on organisation(s) reputation. International adverse publicity
Personal Privacy Infringement	No personal details compromised/ revealed	Isolated individual personal detail compromised/ revealed	All personal details compromised/ revealed	Many individual personal details compromised/ revealed	Personal Data revealed which leads to serious incident and lack of credibility in organisation's ability to manage data, fine

Project Delivery	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Catastrophic
<i>Project Status</i>	Project on schedule to deliver the planned works on time and to budget	Project on schedule to deliver the planned works on time and to budget	The project has encountered some issues which could affect the delivery of the planned works within agreed time, costs and resources	The project has encountered some issues which could affect the delivery of the planned works within agreed time, costs and resources	Delivery of the planned works within agreed time, costs and resources is presently threatened
<i>Timescales</i>	No delays anticipated	The project is delayed by 1 week or under	The project is delayed by 1 week – 2 weeks	The project is delayed by 2 weeks or over	
<i>Resources</i>	The project is fully resourced	The project is fully resourced	A lack of human resources which could impact overall delivery and require Programme Board attention	Lack of human resource is impacting successful delivery and needs to be addressed immediately	Lack of human resource is impacting successful delivery and needs to be addressed immediately
<i>Issues</i>	All issues under control and none outstanding requiring Programme Board attention	All issues under control and none outstanding requiring Programme Board attention	Outstanding issues which could impact overall delivery and require Programme Board attention	Outstanding issues which could impact overall delivery and require Programme Board attention	Outstanding issues which will impact the overall delivery require URGENT Programme Board attention
<i>Risks</i>	All risks under control and none outstanding requiring Programme Board	All risks under control and none outstanding requiring Programme Board	Risks that have a medium probability of occurring and will have a medium impact on the programme and require Programme Board attention if	Risks that have high or medium probability and impact if they occur and require the Programme	Risks that have high or medium probability and impact if they occur require the Programme Board

	attention	attention	there is no change or is increasing	Board attention	attention
<i>Budget</i>	Predicted costs are on track and within the cash limit budget	Predicted costs are on track and within the cash limit budget	Predicted costs are under 10% of budget	Predicted costs are up to 10% over budget	Predicted costs are in excess of 10% over budget

Step 3 – Treatment – Mitigating Actions & Target Risk Score

Risk Treatment

Based on the Current Risk Score, the Risk Matrix provides a colour rating to help you choose one or more of the Risk Treatments - the four T's and record the reason for your choice.

- Treat - take further action to reduce the likelihood or impact.
- Tolerate - decide the risk level is tolerable and that no extra resources will be applied due to a cost-benefit analysis or elements being outside of our control.
- Terminate - stop undertaking the activity which leads to the risk.
- Transfer - pass to another party or organisation to deal with mitigations to reduce the council's liability and exposure, for example, through insurance. We would still own the risk. Often this is not possible due to costs or legal duty.

Risk Rating	Risk Score	Recommended action
High	15-25	Immediate action and escalation required. Mitigating actions must be taken.
Significant	8-14	Review and ensure effective controls. Mitigating actions should be taken.
Moderate	4-7	Monitor in case the risk levels increase.
Low	1-3	Monitor periodically.

Mitigating Actions

If you have decided that the risk should be treated, then mitigating actions should be taken to reduce the likelihood and/or impact of the risk. The actions should be SMART (Specific, Measurable, Achievable, Realistic and Timebound) and agreed by the Risk Action Lead who is named responsible for delivering the action. Mitigating actions should have a start and end date and progress should be regularly tracked.

It is important to ensure that mitigating risk actions map to directorate or service plan actions, so that they are planned and resourced adequately to be completed within the timeframe indicated.

Risk Appetite

Risk appetite defines the level of risk the council is prepared to accept for a particular scenario at any given point in time and in the context of our strategic objectives, current priorities, and our power to directly influence any given situation.

Risk Action Leads, in consultation with ELT, must consider all contextual information when determining the council's level of risk appetite for each scenario and reflect this when setting the target score for each risk.

Strategic risks are presented to the relevant service committee at least annually. Service committees take account of the risk appetite when considering whether the target score is appropriate and provide support and challenge to the risk owner. For example, where a service committee believes that the risk appetite should be lower than what the risk owner has proposed they will recommend further mitigating actions to reduce the risk exposure, by reducing the likelihood or impact.

Similarly where a service committee believes that the risk appetite should be higher than what the risk owner has proposed they will recommend removing some of the mitigating actions.

Target Risk Score

The target risk score is scored similarly to the current risk score, but is based on the assumption that the mitigating risk actions are completed at the stated time and reflects the council's risk appetite for that scenario. This shows the level of risk the council is willing to operate at but the score needs to be realistic and take into account the uncertainty of the situation and resources available to deliver actions so the target risk score can sometimes remain as a high 'red' score regardless of mitigation.

Step 4 – Review and Report – Risk Register and Risk Report

Risk Register

Risk Registers are a tool to help manage risk. The Strategic Risk Register is recorded on the Camms Risk system and the Directorate, Service, Programme and Project Risk Registers use the Excel/Word Risk Register template.

The risk register should contain:

- Risk code i.e. SR1 'Strategic Risk 1' or EEC DR1 'Environment, Economy & Culture Directorate Risk 1'
- Risk title – clearly and succinctly describing the risk
- Risk Owner
- Causes
- Potential Consequences
- Existing Controls – 'Three lines of defence'
- Current Risk Score – Likelihood, Impact and Total
- Mitigating Actions (if risk is treated, or rationale for risk to be terminated, tolerated or transferred)
- Target date to complete actions
- Risk Action Lead
- Target Risk Score – Likelihood, Impact and Total
- Last reviewed date
- Risk Status – Open or Closed

RISK REGISTER: OBJECTIVE (Clearly record this and in the fields below record risks with potential to impact on achievement of this objective)

Date:

Name(s) of Assessor(s):

Risk No	Risk Description What could prevent achievement of your objective and when could it materialise?	Potential Consequences	Existing Controls These must be in place and are operating well. Use the 'Three Lines of Defence': 1) Management Controls, 2) Corporate Oversight, 3) Independent Assurance	Current Likelihood (L) Risk Score	Current Impact (I) Risk Score	Current Risk Score (L x I)	Mitigating Actions 4 Risk Treatments – Treat/ Tolerate/ Terminate/ Transfer. If you decide to 'Treat' add actions to reduce likelihood and impact scores.	Target Date for Future Actions	Responsible Officer	Target Likelihood (L) Risk Score	Target Impact (I) Risk Score	Target Risk Score (L x I)	Risk Status – Active or Closed (give date when Closed)

MATRIX and Key to Risk Scores:

Likelihood (L): 1 – Almost Impossible, 2 – Unlikely, 3 – Possible, 4 – Likely, 5 – Almost Certain

Impact (I): 1 – Insignificant, 2 – Minor, 3 – Moderate, 4 – Major, 5 – Catastrophic

Risk Score: multiply Likelihood (L) x Impact (I)

15 -25 RED	High. Immediate action <u>required</u> & escalate to management level above	8 -14 AMBER	Significant Review & ensure effective controls	4 -7 YELLOW	Moderate (option to TOLERATE) Monitor if risk levels increase.	1 -3 GREEN	Low (option to TOLERATE) Monitor Periodically
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Risk Reviews

It is important to regularly review risks, especially if there is new information or changing circumstances that may relate to certain risks.

Strategic risks are reviewed regularly by the Executive Leadership Team (ELT). Directorate and strategic risks are reviewed regularly by Directorate Management Teams (DMTs), but it is important to note that risk registers are live documents. Newly identified risks, suggested amendments to strategic risks and the Directorate Risk Registers are reported to ELT as part of their risk review. All officers are expected to escalate risks to the relevant DMT lead. Risk management training is available to all officers and resources can be found on the intranet.

Standing agenda for DMT Risk Review

- Strategic Risk Register – review and recommend amendments to ELT
- Upcoming dates in the Risk Reporting Timetable
- Reminders of the risk management approach
- Directorate Risk Register – review risks and mitigating actions

Standing agenda for ELT Risk Review

- Strategic Risk Register – review and agree recommendations from Risk Owners & DMTs
- Strategic Risk Register – emerging risks and requests from members
- Upcoming dates in the Risk Reporting Timetable
- Focus area of the risk management approach
- Directorate Risk Registers – to note

The diagram below shows the risk review cycle. Risk reviews occur quarterly at DMTs and ELT as a minimum, but it is also recommended for risk owners and services to take deep dives into risks where risk scores are not reducing or where circumstances impacting the risk significantly change.



Risk Reporting















The Risk Reporting Timetable sets out the quarterly reporting dates. Risk reviews are the best time to ensure risks are considered, although risks should be escalated at any time. The timetable informs Risk Action Leads and Risk Owners, the dates by which they should update on the progress of their risk actions or review the description of the risk, as well as the dates of Risk Reviews













The Audit & Standards Committee have oversight of the risk management process. They review the Risk Management Framework annually. Relevant policy committees review related risks annually either as a risk focused report or part of any other relevant report.

The Annual Governance Statement (AGS) is published each year alongside the council's accounts and is largely based on our risk management approach, strategic risks and internal audit.

With all reports, it is important to ensure they are written taking into account the audience and purpose of the report.

Appendix 2 Strategic Risk List

Risk Nos.	Risk Title	Current Risk Score Likelihood (L) x Impact (I)	Target Risk Score Likelihood (L) x Impact (I)	Committee	Risk Owner
SR36	Not taking all actions required to address climate and ecological change and transitioning our city to carbon neutral by 2030	4 x 5  HIGH (RED)	4 x 4  HIGH (RED)	Environment, Transport & Sustainability Committee	Executive Director, Economy, Environment & Culture
SR02	The Council is not financially sustainable in the medium term	5 x 4  HIGH (RED)	4 x 4  HIGH (RED)	Policy & Resources Committee	Chief Finance Officer
SR25	Insufficient organisational capacity or resources to deliver all services and respond to changing needs and changing circumstances	5 x 4  HIGH (RED)	4 x 4  HIGH (RED)	Policy & Resources Committee	Chief Executive
SR37	Adverse impact on health outcomes and business continuity from high levels of disease transmissions and pandemics in the city	4 x 4  HIGH (RED)	3 x 4  SIGNIFICANT (AMBER)	Adult Social Care & Public Health Sub-Committee	Executive Director, Health & Adult Social Care
SR32	Challenges in ensuring robust & effective health & safety measures, leading to personal injury, prosecution, financial losses, or reputational damage	4 x 4  HIGH (RED)	3 x 4  SIGNIFICANT (AMBER)	Policy & Resources Committee	Director, Human Resources & Organisational Development
SR18	The organisation is unable to deliver its functions in a modern, efficient way due to the lack of investment in and exploitation of technology	4 x 4  HIGH (RED)	3 x 4  SIGNIFICANT (AMBER)	Policy & Resources Committee	Executive Director, Governance, People & Resources
SR13	Not keeping adults safe from harm and abuse	4 x 4  HIGH (RED)	3 x 4  SIGNIFICANT (AMBER)	Adult Social Care & Public Health Sub-Committee	Executive Director, Health & Adult Social Care

Risk Nos.	Risk Title	Current Risk Score Likelihood (L) x Impact (I)	Target Risk Score Likelihood (L) x Impact (I)	Committee	Risk Owner
SR15	Not keeping children safe from harm and abuse	4 x 4  HIGH (RED)	3 x 4  SIGNIFICANT (AMBER)	Children, Young People & Skills Committee	Executive Director Families, Children & Learning
SR10	Corporate information assets are inadequately controlled and vulnerable to cyber attack	4 x 4  HIGH (RED)	3 x 4  SIGNIFICANT (AMBER)	Policy & Resources Committee	Chief Executive
SR21	Unable to manage housing pressures and deliver new housing supply	4 x 4  HIGH (RED)	4 x 3  SIGNIFICANT (AMBER)	Housing Committee	Executive Director, Housing, Neighbourhoods & Communities
SR24	The council is unable to provide an effective welfare support response to households facing financial hardship.	4 x 3  SIGNIFICANT (AMBER)	3 x 3  SIGNIFICANT (AMBER)	Policy & Resources Committee	Chief Finance Officer
SR30	Not fulfilling the expectations of residents, businesses, government and the wider community that Brighton & Hove City Council will lead the city well and be stronger in an uncertain environment	3 x 4  SIGNIFICANT (AMBER)	2 x 4  SIGNIFICANT (AMBER)	Policy & Resources Committee	Chief Executive
SR29	Procurement non-compliance and ineffective contract performance management leads to sub-optimal service outcomes, financial irregularity and losses, and reputational damage	3 x 4  SIGNIFICANT (AMBER)	2 x 3  MODERATE (YELLOW)	Policy & Resources Committee	Chief Finance Officer

Brighton & Hove City Council

Audit & Standards Committee

Agenda Item 37

Subject: Independent External Assessment of Orbis Internal Audit

Date of meeting: 24th January 2023

Report of: Executive Director, Governance, People & Resources

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 The purpose of this report is to provide Members with the report and findings from the external review, completed by the Chartered Institute of Internal Auditors, on the Orbis Internal Audit service.

2. Recommendations

2.1 That the Committee notes the findings from the external review report, including those areas identified where opportunities for further improvement may exist for the future.

3. Context and background information

3.1 Earlier this year the Audit and Standards Committee approved the appointment of the Chartered Institute of Internal Auditors (CIIA) to carry out an independent assessment of Orbis Internal Audit against Public Sector Internal Audit Standards (PSIAS). These standards require such an assessment to be undertaken at least once every five years, with the scope including assessment of compliance, benchmarking against best practice and assessment of Internal Audit's profile and impact within client organisations.

3.2 The review was completed during Autumn 2022 and incorporated a full validation of the service's own comprehensive self-assessment, interviews with key stakeholders from across all the Orbis partner councils and discussions with Internal Audit team members. A copy of the assessor's full report is attached as Appendix 1, with the key headlines summarised below.

3.3 It is pleasing to report that Orbis Internal Audit have been assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary the service was assessed as:

- **Excellent** in:
Reflection of the Standards
Focus on performance, risk and adding value
- **Good** in:
Operating with efficiency
Quality Assurance and Improvement Programme
- **Satisfactory** in:
Coordinating and maximising assurance

3.4 In order to provide some further context to this outcome, of the nineteen assessments carried out by the CIIA in 2021/22 (covering both public and private sectors) only two others were assessed as 'Excellent' against the standard. In summarising their findings, the assessor commented that Orbis Internal Audit:

'are an established internal audit service, highly valued by the key stakeholders we spoke to in this EQA review;'

'team members have diverse professional backgrounds, qualifications, experience and skills, making them a flexible and effective service;'

'can tackle a wide range of assurance and investigatory challenges and there is considerable ongoing investment in learning, development and upskilling;'

'Key stakeholders are very confident in their competence, organisational knowledge, plans and reporting. Individual comments were very supportive, with no material areas for improvement identified'.

3.5 As explained above, in conducting this review the assessors undertook interviews with a wide range of stakeholders from across the Orbis partner authorities and external clients, which included Chief Executives, Chief Officers/ Executive Directors, Chief Finance Officers and Chairs of audit committees. It is extremely pleasing to report that the feedback received was overwhelmingly positive with high degrees of customer satisfaction throughout. Summaries of this feedback are provided from page 14 within the report attached as Appendix 1.

3.6 Whilst no formal recommendations in relation to the Standards were raised, the assessor did take the opportunity to highlight some areas which could support the future development of the service. These have been summarised in Appendix 2 to this report, along with a response and commentary in relation to each area.

4. **Analysis and consideration of alternative options**

4.1 Not Applicable

5. Community engagement and consultation

5.1 The assessment included engagement with officers and members across the Orbis partnership.

6. Conclusion

6.1 It is pleasing to report that Orbis Internal Audit have been assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified.

7. Financial implications

7.1 There are no direct financial implications arising from the recommendation of this report.

Name of finance officer consulted: James Hengeveld Date consulted (05/01/23):

8. Legal implications

8.1 This Committee has delegated responsibility for the audit functions of the Council. As a result, it is the correct body to receive the external Report reviewing the Service which carries out the Council's Internal Audit functions, and to note the reassurance that provides about the Service's performance.

Name of lawyer consulted: Victoria Simpson Date consulted: 3.1.23

9. Equalities implications

9.1 There are no direct equalities implications

10. Sustainability implications

10.1 There are no sustainability implications

11. Other Implications

11.1 There are no other implications

Supporting Documentation

Appendices

1. External Assessment Final Report (Appendix A)
2. Orbis Internal Audit Response

REPORT



External Quality Assessment (EQA)

A report for Orbis Internal Audit



Prepared by John Chesshire, approved reviewer for
The Chartered Institute of Internal Auditors

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External Quality Assessment
(EQA)

A report for:
Orbis Internal Audit

07 November 2022
www.iaa.org.uk/eqa



1

Executive summary



External Quality Assessment (EQA)

A report for:
Orbis Internal Audit

07 November 2022
www.iaa.org.uk/eqa



1.1 Background and Scope

The Orbis Partnership is a Public Sector Partnership between Surrey County Council, East Sussex County Council and Brighton and Hove City Council. Orbis was formed to provide high quality services to its customers and retain public sector money and expertise within the partnership.

In April 2017, internal audit began working across East Sussex County Council, Surrey County Council and Brighton and Hove City Council, along with a number of external fee-paying clients. In the following year, a complete restructure took place and a fully integrated service was launched with effect from April 2018. At the same time, Orbis Internal Audit took over delivery of internal audit services to Horsham District Council. At 400 days per annum, Horsham immediately became Orbis Internal Audit's biggest external client, with the arrangement also involving the TUPE transfer of three staff members.

The Orbis Internal Audit headcount is now 35, with an FTE of approximately 33.5. The service is made of six teams, three sovereign teams focussing on each partner council, a general partnership team delivering to Horsham and across all partners, and two specialist teams in the areas of ICT audit and counter-fraud.

The Orbis Chief Internal Auditor (CIA) reports functionally to each of the audit committees (or their equivalent) across the partnership. Orbis Internal Audit previously had an external quality assessment in 2018, undertaken by SWAP. We are delighted that Orbis Internal Audit have commissioned us to undertake this subsequent external quality assessment.

Our review included a full validation of the Orbis Internal Audit team's own comprehensive internal self assessment, interviews with key stakeholders across the partnership, and discussions with Orbis internal audit team members.

We conducted this EQA in a hybrid format - both remotely and in-person in Autumn 2022.

1.2 Key Achievements

Orbis Internal Audit are an established internal audit service, highly valued by the key stakeholders we spoke to in this EQA review.

The governance framework over the internal audit service is mature, with audit committee (or equivalent) oversight, regular meetings, reporting and performance monitoring.

A very well-regarded CIA leads Orbis Internal Audit, directly supported by experienced colleagues, and with specialist teams undertaking ICT audits and counter-fraud work. Orbis Internal Audit team members have diverse professional backgrounds, qualifications, experience and skills, making them a flexible and effective service. They can tackle a wide range of assurance and investigatory challenges and there is considerable ongoing investment in learning, development and upskilling. The CIA has a budget for bringing in external, specialist expertise if required.

Engagement with key stakeholders is regular and effective, with the CIA viewed as a respected, objective, trusted, credible and professional leader.

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The Orbis Internal Audit team undertake a range of diverse assurance engagements. These include coverage of key systems and processes, a number of emerging areas of risk, such as climate change, and topical aspects of governance and control.

We received positive responses to our questions about Orbis Internal Audit from those we interviewed. Key stakeholders are very confident in their competence, organisational knowledge, plans and reporting. Individual comments were very supportive, with no material areas for improvement identified.

Orbis Internal Audit develop and deliver annual risk-based audit plans. Key stakeholders felt engaged in the design of these. The CIA and their managers actively monitor team performance using their MKI audit management software, and have implemented appropriate engagement-level quality assurance checks, as well as cold file/ peer reviews. We believe that the team's supporting operational, engagement-level procedures, documentation and associated templates are professional and fit for purpose.

1.3 EQA Assessment Conclusion

Orbis Internal Audit conforms with the vast majority of the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the PSIAS and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard of quality in Internal Auditing.

To summarise, we are pleased to report that Orbis Internal Audit are excellent in their:

- Reflection of the Standards
- Focus on performance, risk and adding value

We believe that Orbis Internal Audit are good in their:

- Operating with efficiency
- Quality Assurance and Improvement Programme

We believe that Orbis Internal Audit are satisfactory in their:

- Coordinating and maximising assurance

The need to consider how best to map assurance provision, as well as relying on and coordinating with other assurance providers remains an emerging area of internal audit practice. It depends as much on the nature and effectiveness of the other assurance providers as it does on internal audit, and Orbis Internal Audit are refining their approach in these areas.

There is scope for further evolution in a few areas as summarised in Section 2.2 below.

We are pleased to report that our overall opinion is that the internal audit team "generally conforms" to the IIA Standards (See [Appendix A1](#) for our Grading definitions).

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1.4 SWOT Analysis

Strengths What works well	Weaknesses What could be done better
<ul style="list-style-type: none">• The CIA is experienced, respected and key stakeholders have confidence in their knowledge, skills and leadership• The Orbis IA team have a very good reputation and standing across the partner organisations, both with members and officers• The risk-based annual plans cover a number of relevant, emerging areas of risk and topical governance subjects• Orbis IA are a diverse, knowledgeable team with many different professional certifications and areas of specialism• Stakeholders value Orbis IA plans and flexibility to accommodate additional requests and ad hoc work• High investment in qualifications, learning and development• Well-established QAIP with cold file and peer reviews	<ul style="list-style-type: none">• Some engagements have a lengthy elapsed time from start to draft report
Opportunities What could deliver further value	Threats What could stand in your way
<ul style="list-style-type: none">• Data analytics strategy development and further ICT upskilling• Stakeholders would value further sharing of cross-organisational good practices by Orbis IA• Further cross-consortium reviews could add further value• Enhancing an appropriate approach to assurance mapping and potential formalising of reliance on second line teams, where appropriate, could improve risk-based coverage• Occasional CIA review of the Orbis IA structure and the overall partnership model to ensure it remains the best fit for adding value to the partners	<ul style="list-style-type: none">• Failure to retain Orbis IA staff could threaten service resilience and delivery, with particular succession challenges in respect of the CIA• Emerging risks and increasing complexity in the external environment could threaten Orbis IA's ability to deliver insight and add value in specialist service areas• Ensuring Orbis IA remuneration remains competitive in a challenging market to ensure appropriate employee recruitment, engagement and retention• Lessened desire for the wider Orbis partnership could result in a rethink of how the internal audit service is delivered, and on what basis

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1.5 Conformance Opinion

The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards.

There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that internal audit activity conforms to 61 of the 64 relevant principles. Three of the principles were not relevant to Orbis Internal Audit as they relate to situations that have not occurred to date.

This is an excellent result and is summarised in the table below.

Summary of conformance	Standards	Generally conforms	Partially conforms	Does not conform	Not relevant	Total
Definition of IA and Code of Ethics	Rules of conduct	12				12
Purpose	1000 - 1130	8				8
Proficiency and Due Professional Care (People)	1200 - 1230	4				4
Quality Assurance and Improvement Programme	1300 - 1322	6			1	7
Managing the Internal Audit Activity	2000 - 2130	11			1	12
Performance and Delivery	2200 - 2600	20			1	21
Total		61	0	0	3¹	64

We have also reviewed Orbis Internal Audit's conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that Orbis Internal Audit generally conform with both the PSIAS and LGAN.

¹ These relate to circumstances which prior to the external quality assessment were deemed not relevant, most obviously the Disclosure of Non-conformance and Engagement Disclosure of Non-conformance, which have not been necessary to date.

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1.6 Further Improvement Opportunities

There is scope for further improvement and development in just a few areas as summarised below:

Enhancing internal audit proficiency

- Additional in-house focus on data analytics and ICT audit could help Orbis Internal Audit deliver further valuable insight as the partnership organisations become ever more digitalised and ICT-enabled.

Internal Assessments

- Consider revisiting the current Orbis Internal Audit Key Performance Indicators (KPIs) to ensure they meet the needs of the service and its primary stakeholders, particularly in terms of internal audit efficiency.

Planning

- When risk management matures, consider how best to further rely on management's view of risk, documented in risk registers, as a potential alternative - to maintaining a separate internal audit universe.

Resource Management

- Formalising a high-level Orbis Internal Audit 'career pathway' from internal auditor to audit manager, covering knowledge, skills, experience, qualifications and responsibilities (et al) could be useful for supporting recruitment and retention.
- Consider establishing a team to deal with unplanned requests and ad hoc tasks, while other team members focus on delivering planned work, with rotation through as appropriate
- Consider offering clients a more 'agile' internal audit engagement approach, where appropriate, compared to the longer, more methodical engagement option.

Policies and Procedures

- Including direct referencing of the IIA Standards in relevant sections of the 'Undertaking an Audit' document could help demonstrate to internal audit staff why particular activities, actions and steps are required.

Coordination and Reliance

- Further enhancing a proportionate approach to assurance mapping and potential formalising of reliance on second line teams, where appropriate, could improve the team's risk-based coverage.

1.7 Acknowledgement

We would like to thank the Orbis Internal Audit team, for their time, assistance and support during this EQA, and all of those who took part in the review, for their cooperation, together with their open and honest views.

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Supporting continuous improvement

The Chartered Institute regards conformance to the IPPF as the foundation for effective internal audit practice. However, our EQA reviews also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with chief audit executives/heads of internal audit, summarised in an internal audit maturity matrix.

We then interpret our findings into suggestions for further development based upon the wide range of guidance published by the Chartered IIA.

It is our aim to offer advice and a degree of challenge to help internal audit activities continue their journey towards best practice and excellence.

In the following pages we present this advice in two formats:

- A matrix describing the key criteria of effective internal audit, highlighting the level of maturity the internal audit team has achieved and the potential for further development, recognising that effective internal audit goes further than purely conformance with internal auditing standards. ([See 2.1](#))
- A series of improvement opportunities and suggestions which the internal audit team could use as a basis for an action plan. ([See 2.2](#))



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Supporting continuous improvement

2.1 Internal audit matrix

		IIA Standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
Assessment levels	Excellent	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally Conforms in all areas.	IA alignment to the organisation's objectives risks and change. IA has a high profile, is listened to, and is respected for its assessment, advice, and insight.	IA is fully independent and is recognised by all as a 3rd line. The work of assurance providers is coordinated with IA reviewing reliability of.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise, and produced promptly.	Ongoing efforts by IA team to enhance quality through continuous improvement. QA&IP plan is shared with and approved by AC.
	Good	The IIA Standards are fully integrated into the methodology – mainly Generally Conforms.	Clear links between IA engagement objectives to risks and critical success factors with some acknowledgement of the value-added dimension.	Coordination is planned at a high level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly linking opinions to key risks.	Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with AC
	Satisfactory	Most of the IIA Standards are found in the methodology with scope to increase conformance from Partially to Generally Conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change, but criteria and role require clarity.	The 3 lines model is regarded as important. Planning of coordination is active and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness, but further consistency is needed. Reports are informative and valued.	Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is evident. Wider QA&IP may need formalising
	Needs improvement	Gaps in the methodology with a combination of Non-conformances and Partial Conformances to the IIA Standards.	Some connections to the organisation's objectives and risks but IA engagements are mainly cyclical and prone to change at management request.	The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagement go beyond deadline and a number are deferred	QC not consistently embedded across the function. QA is limited / late or does not address root causes
	Poor	No reference to the IIA Standards with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks, and performance. Many audits are ad hoc.	IA performs its role in an isolated way. There is a feeling of audit overload with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

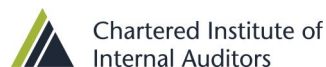
Note: The maturity level of the function will depend on a number of factors, including the maturity and the risk appetite of the organisation. Consequently, not all audit functions will aspire to being "Excellent" across the board.



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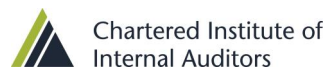
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2.2 Further improvement opportunities

This section of the report details additional feedback and observations which, if addressed, could further strengthen the impact of internal audit. These observations are not conformance points but support internal audit's ongoing evolution and development.

These suggestions do not require a response; they will not form part of any subsequent follow up if undertaken.

Opportunity A: Standard 1200 Proficiency and Standard 1220 Due Professional Care

Improvement opportunity	
1	<p>Additional in-house focus on data analytics and ICT audit could be useful and help Orbis Internal Audit continue to deliver valuable insight.</p> <p>Given the prevalence and criticality of ICT to every organisation, the CIA should continue to consider how best to develop further ICT audit capability.</p> <p>We also believe that the CIA should also consider how best to further enhance awareness and capability in the use of data analytics across the team to enhance the depth and breadth of assurance provided. Some leading internal audit teams have moved to a methodology position of having to justify why data analytics should not be employed on an engagement. The expectation is that use of data analytics is the default position for every engagement.</p>

Opportunity B: Standard 1311 Internal Assessments

Improvement opportunity	
2	<p>Consider revisiting the current Orbis Internal Audit Key Performance Indicators (KPIs) to ensure they meet the needs of the service and its primary stakeholders, particularly in terms of internal audit efficiency.</p> <p>Orbis employ a small number of KPIs and these could usefully be reviewed to assess their ongoing value and usefulness. We have shared some additional guidance on KPIs as part of this EQA review.</p>

Opportunity C: Planning

Improvement opportunity	
3	<p>When risk management matures, consider how best to further rely on management's view of risk, documented in risk registers, as a potential alternative - to maintaining a separate internal audit universe.</p> <p>Internal audit has reviewed risk management at the three sovereign teams in recent years, delivering two reasonable and one substantial assurance opinions.</p>

2

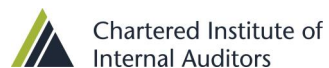
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Opportunity D: Standard 2030 Resource Management

Improvement opportunity	
4	<p>Developing an Orbis Internal Audit 'career pathway' from internal auditor to audit manager, covering knowledge, skills, experience, qualifications and responsibilities (et al) could be useful for supporting recruitment and retention. If potential, or new, recruits can see a clear, documented career pathway mapped out, with opportunities for progression and additional remuneration, then may foster increased engagement.</p> <p>Audit managers, and potentially principal auditors, could consider seeking the CMIIA designation via the Chartered by Experience route (see https://events.iaa.org.uk/cmiiia-workshops/chartered-by-experience-cbe-assessment/)</p> <p>Consider establishing a team to deal with unplanned requests and ad hoc work, while other team members focus on delivering planned work, with rotation through as appropriate. This would help ensure plan delivery is not impacted by additional requests and may help reduce the elapsed time from start to draft report on a proportion of the engagements.</p> <p>Consider offering clients a more 'agile' internal audit engagement approach, where appropriate, compared to the longer, more methodical engagement option. This alternative could help reduce elapsed engagement time and be more beneficial on some engagements. It would require internal audit and the client to block out calendar time to enable the engagement to be undertaken over a shorter horizon.</p>

Opportunity E: Standard 2040 Policies and Procedures

Improvement opportunity	
5	<p>Including direct referencing of the IIA Standards in relevant sections of the 'Undertaking an Audit' document could help demonstrate why particular activities, actions and steps are required. This may be of value to new team members, showing how the approach maps to the PSIAS/IPPF.</p>

Opportunity F: Standard 2050 Coordination and Reliance

Improvement opportunity	
6	<p>The CIA should further develop a proportionate, light-touch and value-adding approach to assurance mapping and placing reliance on the work of other internal assurance providers, to enhance team planning, delivery and the effectiveness of assurance provided to key stakeholders.</p>

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Appendix

A1 Global Grading Definitions

The following rating scale has been used in this report:

Generally Conforms (GC)	The reviewer has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.
Partially Conforms (PC)	The reviewer has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.
Does Not Conform (DNC)	The reviewer has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.

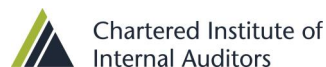
Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The reviewer must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a "generally conforms" rating.



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Appendix

A2 Stakeholder Interviews and feedback

We interviewed the following individuals as part of the review.

Stakeholders	Title /Position
Philip Baker	Assistant Chief Executive, ESCC
Dominic Bradley	Director of Resources, HDC
Ian Gutsell	Chief Finance Officer, ESCC
Joanna Killian	Chief Executive, SCC
Victor Lewanski	Audit Committee Vice Chair, SCC
David Lewis	Audit Committee Chair, SCC
Nigel Manvell	Chief Finance Officer, BHCC
Ros Parker	Chief Operating Officer, ESCC
Geoff Raw	Chief Executive, BHCC
Stuart Ritchie	Audit Committee Chair, HDC
Colin Swansborough	Audit Committee Chair, ESCC
Leigh Whitehouse	Executive Director of Resources, SCC

Internal Audit Function	Title /Position
Russell Banks	Chief Internal Auditor, Orbis
Reem Burton	Principal Auditor, SCC
Nigel Chilcott	Audit Manager, ESCC (Sovereign)
Paul Miller	Audit Manager, Partnership



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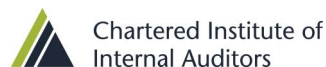
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Internal Audit Function	Title /Position
Liam Pippard	Senior Auditor, ESCC
Deb Read	Auditor, SCC
Carolyn Sheehan	Audit Manager, BHCC (Sovereign)
Mark Winton	Audit Manager, IT

Feedback from stakeholder interviews

Working with the business

“Internal audit is genuinely independent, but it listens to its stakeholders.”

“I value internal audit’s competence and the way they work well with the other departments.”

“They are very constructive and not perceived as a wrecking ball! They are supportive and professional but can deliver hard messages.”

“They are very supportive, very responsive and helpful.”

“They are very well respected in the organisation - so they get the engagement they need.”

“I value internal audit’s competence and the way they work well with the other departments. The team are very competent, dedicated and loyal to the service.”

“Russ has built a strong team and can deploy the right combination of skills to help us better manage risks.”

“We have a grown-up relationship with internal audit and they look at the right sort of things, in the right sort of way for us.”

Communication

“They are good communicators at audit committee meetings.”

“The reports are good - the team are really competent and produce very useful reports.”

“Their presence with the audit committee is well-received, professional and their reports are very clear.”

“Their reports are thorough and presented well. Internal audit is respected and trusted by members and senior officers.”

“They have got reporting down to a fine art, with succinct reports that have definitely improved over the years.”

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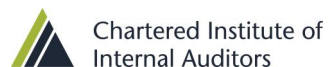
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Internal audit plans and coverage

“I’m always consulted on the annual audit plan and internal audit visit all the DMTs to help put the plan together.”

“There is a very sensible audit plan, focused on the highest risks.”

“There is sufficient flex in the plan to deal with ad hoc requests and internal audit are involved in lessons learned reviews.”

“The internal audit plans are drawn from the strategic risk framework and our judgement and instinct.”

“Conversations cover what topics are covered in the plan, and importantly, what is not covered too.”

Value

“They are good at delivering and are a very flexible and responsive service.”

“Russ and the Orbis team have been fundamental in strengthening our corporate governance and risk management practices.”

“The quality in their work and approach is always there. I would rate them overall as a well-performing team.”

“My only concern is the challenge of resourcing, but they are creative and flexible in filling vacancies.”

“I value the increased resilience that the Orbis partnership brings and the perspective and experience of different organisations, as well as the wider expertise to draw upon.”

“Russ is really well regarded. He has established really good relations with senior colleagues and has positioned internal audit as a service that can help the organisation improve.”

“Internal audit really are our eyes and ears on the ground.”

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Appendix



Setting the standards together

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Chartered Institute of
Internal Auditors

Disclaimer: This review was undertaken in Autumn 2022 by John Chesshire on behalf of the Chartered Institute of Internal Auditors. This report provides management and the partnership and client Audit Committees (or equivalent) with information about Orbis Internal Audit as of that date. Future changes in environmental factors and actions taken to address recommendations may have an impact upon the operation of Internal Audit in a manner that this report cannot anticipate.

Considerable professional judgment is involved in evaluating. Accordingly, it should be recognised that others could draw different conclusions. We have not re-performed the work of Internal Audit or aimed to verify their conclusions. This report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or part, without the prior written consent of the Chartered Institute of Internal Auditors.

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The table below summarises those areas where the external assessors believe there may be opportunities for further development of the Orbis Internal Audit Service, along with our response to each.

As explained in the assessors' report, these cover additional feedback and observations only, which are intended to help support Orbis Internal Audit's ongoing evolution and development.

Improvement Opportunity	Orbis IA Response	Timescale
Additional in-house focus on data analytics and ICT audit could help Orbis Internal Audit deliver further valuable insight as the partnership organisations become ever more digitalised and ICT-enabled.	This is an already ongoing area of development for our service with continued investment in ICT audit training and a new Data Analytics Audit Strategy recently finalised.	Ongoing
Consider revisiting the current Orbis Internal Audit Key Performance indicators (KPIs) to ensure they meet the needs of the service and its primary stakeholders, particularly in terms of internal audit efficiency.	Agreed. Important to note that the service already has a number of other measures which are not formally published in our committee reports given that they relate to operational service delivery.	March 2023
When risk management matures, consider how best to further rely on management's view of risk, documented in risk registers, as a potential alternative - to maintaining a separate internal audit universe.	As referenced, the extent to which Internal Audit are able to rely on organisational risk registers in full for audit planning purposes depends entirely on the risk maturity of the partner organisations. This is an area on ongoing development and improvement for all the councils. However, it is our view that there will always be a place for this information to be supplemented with other sources when planning our work, including our own knowledge and experience of the organisations.	Ongoing
Formalising a high-level Orbis Internal Audit 'career pathway' from internal auditor to audit manager, covering knowledge, skills, experience, qualifications and responsibilities (et al) could be useful for supporting recruitment and retention.	We will look to further enhance this area although important to highlight that we have an extensive training and development programme already in place for all staff, aligned directly to the IIA's own skills and competencies matrix. This is supplemented with a significant increase in financial investment in training and development over recent years.	Ongoing
Consider establishing a team to deal with unplanned requests and ad hoc tasks, while other team members focus on delivering planned work, with rotation through as appropriate.	This is something we have considered but do not believe is in the best interest of our clients or staff at this time. One of the significant benefits of the way in which we currently work is that we allocate	N/A

Improvement Opportunity	Orbis IA Response	Timescale
	auditors to each activity based on their knowledge, skills and abilities, regardless of which team they work within. This not only allows each partner to benefit from our collective experience but also enables all of our staff the opportunity to work with different organisations and clients.	
Consider offering clients a more 'agile' internal audit engagement approach, where appropriate, compared to the longer, more methodical engagement option.	Agreed. As part of planning and scoping on individual audits we will in future offer clients this opportunity.	Immediate
Including direct referencing of the IIA Standards in relevant sections of the 'Undertaking an Audit' document could help demonstrate to internal audit staff why particular activities, actions and steps are required.	Agreed.	March 2023
Further enhancing a proportionate approach to assurance mapping and potential formalising of reliance on second line teams, where appropriate, could improve the team's risk-based coverage.	Assurance mapping is something that ideally should be developed and owned by the wider organisation, rather than internal audit. In the absence of this, we have an existing workstream in place to develop something within Orbis Internal Audit which will further strengthen our audit planning process.	Ongoing

Audit & Standards Committee

Agenda Item 38

Subject: External Auditor's Annual Report 2021-22

Date of meeting: 24 January 2023

Report of: Grant Thornton (External Audit)

**Contact Officers: Name: Nigel Manvell
Tel: 01273 293104
Email: nigel.manvell@brighton-hove.gov.uk
Darren Wells (Grant Thornton UK LLP)
Tel: 01293 554120
Email: Darren.J.Wells@uk.gt.com**

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 The external auditor's (Grant Thornton's) Annual Report for the year ending 31 March 2022 reports on the council's value for money arrangements and comments on financial sustainability, governance arrangements and arrangements for securing economy, efficiency and effectiveness in the use of its resources. The report is attached at **Appendix 1**. The Annual Report is a statutory requirement for local authorities.

2. Recommendations

2.1 That the Audit & Standards Committee notes the external auditor's Annual (Value for Money) Report for the financial year ending 31 March 2022 including the auditor's recommendations and management comments.

3. Context and background information

3.1 The external auditor is required to consider whether the authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (securing value for money). The report reviews this under three categories which are financial sustainability, governance and improving economy, efficiency and effectiveness. Appendix B (An Explanatory note on the recommendations) within Appendix 1 sets out three types of recommendations that can be made by the external auditors in this report which are:

- Statutory written recommendations - to which the council is required to discuss and respond publicly to the report;
- Key Recommendations - where significant weaknesses have been identified;
- Improvement Recommendations - which are not a result of identifying significant weaknesses.

- 3.2 For first category, the risk assessment for the council was “no risks of significant weakness identified”. For the second category, there is one key recommendation (set out on page 4 of Appendix 1) relating to ‘significant weaknesses’ in the council’s financial sustainability highlighting a need for realistic plans for replenishing reserves and financial planning focused on reducing reliance on one-off measures. The recommendation also suggests “over-programming” of savings targets to meet budget shortfalls and manage delivery risks. It is important to note that all local authorities are facing financial challenges in the current economic climate, particularly Unitary Authorities as they provide the full range of upper and lower tier services and consequently experience a wider range of risks and challenges.
- 3.3 There are also improvement recommendations to which management has responded (relating to setting the annual capital budget and the Annual Governance Statement) and two prior year recommendations which require follow up in 2023 (whole entity workforce planning and procurement strategy).

4. Analysis and consideration of alternative options

- 4.1 Not applicable.

5. Community engagement and consultation

- 5.1 Not applicable.

6. Conclusion

- 6.1 This report and appendix are for noting. The auditor has made one ‘Key Recommendation’, regarding financial sustainability, and two improvement recommendations to the council. The auditor has not issued any statutory written recommendations.

7. Financial implications

- 7.1 There are no direct budgetary implications arising from this report. However, the report does identify ‘Financial Sustainability’ as a significant weakness and therefore it is important to consider the auditor’s findings and recommendations and implement any improvement recommendations identified by the auditor. Failure to do so within a reasonable timeframe could lead to further investigation by the auditor and/or the auditor may choose to issue a Report in the Public Interest under the Local Audit and Accountability Act 2014.

Finance officer consulted: James Hengeveld Date consulted: 16/01/2023

8. Legal implications

- 8.1 The Local Audit and Accountability Act 2014 makes it a requirement that the council's external auditors consider whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (securing value for money). This committee has delegated powers for (amongst other things) providing assurance on the adequacy and effectiveness of the work of external as well as internal audit, and is the appropriate body for the consideration of this report by elected members of the council.

Lawyer consulted: Victoria Simpson Date consulted: 16/01/2023

9. Equalities implications

- 9.1 There are none identified.

10. Sustainability implications

- 10.1 There are none identified.

11. Other Implications

- 11.1 There are none identified.

Supporting Documentation

Appendices

Appendix 1: Auditor's Annual Report on Brighton & Hove City Council 2021-22

Interim Auditor's Annual Report on Brighton & Hove City Council

2021/22

24 January 2022



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	2020/21 Auditor Judgment	2021/22 Auditor Judgment
Financial sustainability	No significant weaknesses in arrangements identified, but improvement recommendation made	Significant weakness in arrangements identified and a key recommendation along with an improvement recommendation have been made.
Governance	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendations have been made.
Improving economy, efficiency and effectiveness	No significant weaknesses in arrangements identified or improvement recommendation made.	No significant weaknesses in arrangements identified and no improvement recommendations raised.



Financial sustainability

Brighton & Hove City Council (BHCC) reported an underspend on the General Fund for 21/22 of £2.948 million with 70% of savings achieved. For 2022/23, the Council forecasted a £18 million budget gap to be met through a £10.318 million savings plan, one-off funding and use of reserves. Month 5 financial monitoring reports now show that 57% of this savings plan is at risk and there is a forecast £13.114 million overspend on the General Fund. There is considerable concern for the medium term. The original forecast for the 2023/24 position was a budget gap of £6.25 million. By July 2022, this had jumped to £20.99 million, a reflection of demand changes and inflationary pressures. This puts significant pressure and additional risk on the Council's overall financial position as the current General Fund Working Balance is only £14.5 million. We have identified a significant weakness and issued a key recommendation regarding the Council's financial sustainability.



Governance

The Council is making efforts to ground its future trajectory in sound and foundational strategic development, through the development of its medium term financial plan (MTFP), Business Framework and classification of services exercises. Structural changes to the governance arrangements were introduced in 2021/22 with the merger of two directorates. Though there are generally sound governance arrangements, we have identified a potential area of improvement identified with regard to the content/format of the Annual Governance Statement.



Improving economy, efficiency and effectiveness

The Council continues to manage a comprehensive performance management and reporting framework, through effective management and monitoring of Corporate Key Performance Indicators (KPIs). We have drawn attention to procurement deficiencies highlighted by internal audit.

Key recommendations



Key Recommendation

The Council should :

- revisit financial plans with the sustainability of reserves in mind to ensure medium term financial plans demonstrate a realistic plan for replenishing reserves where one-off use is expected to cover budget gaps.
- focus its financial planning on reducing reliance on one-off measures and properly consider opportunities to review service delivery, particularly the prioritisation of statutory versus discretionary spend.
- review the process of setting savings schemes to build a greater element of contingency/and over-programming into this part of its financial plans. The focus should be on making credible savings plans and strengthening the supporting monitoring arrangements around those savings plans so that they are sufficiently robust to support the delivery on the current large scale savings plan necessary to bridge the budget gap. Due consideration must be given to the fact that the Council is likely going to need to make very difficult financial decisions in the near future if it is to maintain its financial stability.

Why/impact

The Council's financial position is becoming significantly more challenging. This is largely due to the impact of increased service demand, the impact of inflation/cost of living increases, withdrawal of Covid-19 financial support where costs are still in place and supply chain/staffing pressures. Failure to properly and prudentially determine savings schemes with appropriate contingencies will further compound this already concerning picture. The greatest risk is the potential that the Council will be unable to smooth its deficit with reserves in the medium term where larger deficits currently forecast are not bridged. Reserves are one-off resource, so a plan needs to be in place to replenish these reserves or the Council could quickly be forced to a position where some non-statutory activities need to be reduced or even ceased. Although currently the Council does not appear to be in imminent danger of issue of a Section 114 notice, these are being more regularly issued where councils find themselves with insufficient reserves to continue normal operations.

Auditor judgement

The Council has not fully delivered planned savings schemes in recent years, although it is accepted that the coronavirus pandemic contributed to this. Although other changes to the outturn position in 2020/21 and 2021/22 meant the Council was still able to deliver a breakeven or surplus position, the extremely challenging financial pressures on the budget in 2022/23 and 2023/24 mean that a deficit position appears inevitable with the budget gap highly unlikely to be covered by any one-off additional income (£18m one-off Covid-19 funding in 2021/22 supported the delivered outturn).

The history of under-delivery of savings programmes means that the Council should in these more challenging circumstances over-programme savings schemes in order to better mitigate for this. The budget should therefore be based on an assumption of 70% delivery based on its recent years' track record. The Council must also maintain close monitoring of its reserves position considering the fact that it is already predicting a budget gap in 2023/24 greater than the current level of General Fund reserves. These two layers of financial risk considered simultaneously present serious concerns with regard to financial sustainability.

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendations

Key Recommendation (continued)

Management Comments The external auditor's findings recognise the ongoing economic impact of the pandemic and the unexpected escalation of inflation and cost-of-living which few, if any, councils built into planning assumptions for 2022/23. The majority had expected costs and incomes to steadily return to pre-pandemic levels, but the reality is that costs have escalated while incomes are suppressed by economic conditions. This has also significantly impacted savings programmes including in the current year. To this should also be added central government's ongoing tendency to provide short-term financial settlements, 2023/24 being the fifth single-year settlement in a row, and its deferral of key local government financial reforms including Fair Funding, Business Rates reform, Council Tax revaluation, and Social Care funding reform. All of this has made financial planning very problematic for councils, with funding announcements and settlements being received later each year.

In this context, the council therefore fully accepts the advice and recommendation and is now reviewing its budget from the position of what services are now 'affordable' in this changed reality, including predicted budget gaps of over £53m over the next 4 years. The budget process for 2023/24 is therefore exploring key questions concerning the mix and affordability of services that the council commissions, procures or provides in-house alongside the process of exploring potential economies, efficiencies, income generation and taxation options as normal. A 'Budget Categorisation' exercise has also been undertaken to provide an alternative analysis of the council's budget that may aid this process alongside balancing the affordability of current services with plans to support its Corporate Plan priorities. This is discussed in the forthcoming Budget Update report to January Policy & Resources Committee.

In developing the 2023/24 General Fund budget, the very substantial additional costs of the pay award in 2022/23 together with increased commissioning costs (mainly social care providers) and other supplies and utility increases must all be met on an ongoing basis in 2023/24 together with further provision for pay award and price uplifts in 2023/24, including a significant uplift in energy costs. Together with demographic (demand) and other cost pressures, this is driving a predicted budget gap of £21m in 2023/24 which is very challenging. While 'over-programming' of savings is accepted as a sensible objective, with such a large gap to close in 2023/24 this may be an unrealistic aim for next year, particularly for a No Overall Control council nearing the end of the current term of Administration. However, with more time to plan, consider and develop options, it should be an objective for future years within the Medium-Term Financial Strategy (MTFS) to improve the council's financial sustainability and maintain or improve its reserves position.

The council also accepts the principle of avoiding the use of one-off funding to balance annual budget shortfalls unless it is able to identify robust medium-term plans or decisions that will reduce future costs, generate new incomes or secure more funding (e.g. taxation) to enable repayment within the MTFS period at an acceptable (low) level of risk.

Regarding the current in-year pressures in 2022/23, the council has implemented spending and recruitment controls alongside normal financial recovery actions within services to aid the position. It has also slowed capital spend to improve cash balances (i.e. generate greater investment income) and reduce MRP capital financing charges. However, there is likely to be an outturn overspend and this will need to be funded from reserves or balances and replenished within the MTFS period alongside managing large budget shortfalls.

All members have been given advice concerning the challenging financial position and the implications of not addressing the budget gap for 2023/24 included within two 'All Councillor Budget Bulletins' and the Budget Update report to January Policy & Resources Committee. Councillors are therefore fully aware of the scale of the challenge facing the authority.

Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have substantially completed the work on our audit of your financial statements, but there is some work outstanding and we have not yet issued our auditor's report.

Findings from the audit of the financial statements were reported to the Audit and Standards Committee on 29 November. Audit findings can have an impact on value for money considerations, particularly around governance. Therefore, this report is presented as an Interim Annual Auditor Report and will be finalized and updated where appropriate on completion of the financial statements audit.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendations.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

No applications have been made.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

No advisory notice has been made.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

No application for judicial review has been made.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2021/22 financial performance

The Council finished 2021-22 with a £2.9 million underspend on the General Fund and a £0.03 million underspend on the Housing Revenue Account. This included an underspend of £3.3 million on the Council's share of the NHS managed Section 75 services.

In terms of savings delivery, £3.2 million of the £10.7 million 2021/22 savings package was not achieved. This puts the Council's actual delivery against planned savings targets for the year at approximately 70%, slightly lower than the previous years' savings delivery of 72% delivery against plan. It is worth highlighting that 2020/21 and 2021/22 were extremely challenging years due to the coronavirus pandemic. The pandemic impacted demand as well as organisational capacity, particularly in the Council's senior management team, and this inevitably impacted on delivery of change, including savings plans.

It should be noted that the Council was only able to achieve this underspend outturn position with the support from one-off grants including an £8 million Covid-19 grant, £8.9 million Contain Outbreak Management Fund (COMF) and £1 million from Sales, Fees and Charges compensation grants. All these resources have ended and are not recurring in 2022/23 and the medium-term.

2022/23 and future financial planning

The impacts of Covid-19 are still being felt yet the funding from government to meet the costs is drying up. Add this to additional pressures and backlogged demand for adult social care, children's services, budget costs, inflation, interest rates, the long shadow of Brexit and supply chain issues, and it is clear that councils nationally are facing difficult financial decisions to maintain financial sustainability.

There have been detrimental changes to the medium term forecast (impacts of the Ukraine war, economic recession, steep inflation and the cost of living crisis) which impact demand and cost levels for all

local authorities. These were not foreseeable, and they highlight the more unpredictable national and global economic environment Councils are needing to operate and plan within.

At budget setting in February 2022, the Council faced a large budget shortfall (budget gap) during the Medium Term Financial Strategy (MTFS) period 2023/24 to 2025/26 of over £18 million. The Council has focused on a longer time horizon for financial planning as a means of mitigating the impacts of a shortfall in any one year through smoothing in later years as far as is possible. The Council set a balanced budget for 2022/23 but this was only possible with £1.9m contribution from reserves, and a planned savings package of £10.318 million. This savings target to balance the 2022/23 appeared ambitious in light of 2021/22 delivery.

The current financial monitoring highlights concerns surrounding the Council's financial position. The Targeted Budget Monitoring (TBM) report sets out early indications of forecast risks on the Council's revenue and capital budgets for the financial year. The forecast risk for 2022/23 as at November 2022 is a £11.637 million overspend on the General Fund revenue budget. Inflation is having a significant detrimental impact on in year expenditure against budget, particularly in social care. Considering the scale of the £18m budget gap for the 3 years to 2025/26, this forecast overspend budget at this stage which would exacerbate this gap is extremely concerning. It will clearly not be viable to carry forward this overspend where the scale of the budget gap already appeared to be highly challenging.

There are overspends in all directorates excluding corporately-held budgets. The highest overspends are in Governance, People & Resources and Housing, Neighbourhoods & Communities with 5.6% of budgets and 4.6% respectively.

The 2022/23 savings progress paints a similarly challenging picture. As at August 2022, the progress shows that £6.020 million of the planned savings are forecast not to be delivered by the year end.

Financial sustainability

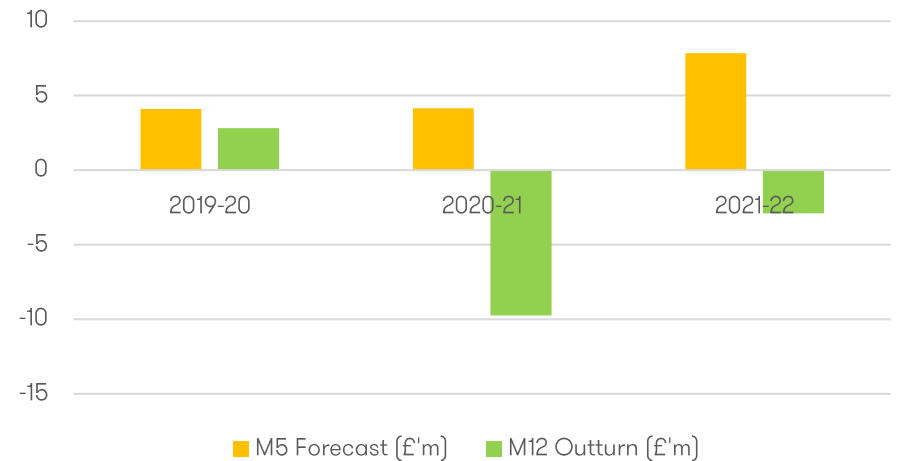
At December 2022 the Council is forecasting that 51% of the £10.318m savings required to achieve a balanced budget may not be delivered. The Council is already taking actions to mitigate the risks surrounding savings deliverability, for example, employing vacancy controls and recruitment freezes to cope with the in-year budgeted outturn. However, these one-off controls do not provide assurance that the Council will be in a financially sustainable position come year-end. Particularly as the non-recurrent one-off Covid-19 grant awarded in 2021/22 was used to manage cost pressures and balance the recurrent General Fund budget for 2021/22.

The Council's reserves position is similarly a cause for concern. The General Fund Working Balance Reserve stood at £14.509 million on 31st March 2022 and Other General Fund Earmarked Reserves stood at £67.752 million as at that date. The Council's reserves and balances are well below the average for upper tier local authorities and the Council has already used £5.7 million from its reserves in 2022-23 to manage the impact of the pandemic to date. The Council has framed this use of reserves as borrowing for reserves, with plans to replenish reserves at a rate of £0.208 million per annum starting in 2023/24.

The concern surrounding the Council's financial planning is partially mitigated by its financial management history. The Council has a history of predicting high overspends in the first half of the year, taking management action to mitigate the risk and ending the year closer to budget or with an underspend. For example, the Month 2 TBM forecast for 2020-21 forecast a £39.003 million overspend but the year end outturn was a £9.733 million underspend. Other examples of this are shown in the bar graph to the right, using the M5 forecast for the past three years when compared to M12 outturn. This history is reflective of the difficulty in forecasting at this stage of the financial year. The Council is having to use extremely uncertain and volatile assumptions on which to base its forecasts, leaving room for disparate fluctuations between forecast and actuals. This also demonstrates that the Council has a tendency to be risk averse in its forecasting approach, predicting high overspends and finishing closer to balanced budgets. It is important to note that there are risks in overly prudent/risk averse forecasting, the Council could make unnecessary spending decisions that may impact on delivery and performance, the Council must take care to ensure that this does not happen.

2022-23 financial planning therefore remains uncertain. The Council is certainly in a very challenging position regarding short and long-term financial sustainability. This has been acknowledged through its 'Red' rating of financial sustainability in the medium term in the strategic risk register in M2 of 2022-23. This is concerning as the impact and likelihood of this risk materialising would be pervasive.

Forecast vs. Outturn



The medium term

Beyond 2022-23, the February iteration of the budget showed an initial prediction of a £6.25 million gap for 2023-24, £4.75 million for 2024-25 and £3.718 million for 2025-26. The July 2022 update saw the 2023-24 predicted gap jump from £6.25 million to £20.99 million (Table 2). This increased gap is primarily attributed to inflationary pressures and demographic changes – which are safely assumed to be recurrent – therefore putting future budgets at risk. Considering the Council's current General Fund Working balance is £14.509 million, the Council is therefore predicting a budget gap for 2023-24 larger than its current reserves working balance.

Furthermore, it is known that the General Fund Working Balance is actually less than £14.509 million as the Council already stated in the July update that it has already had to borrow £5.7 million from reserves to manage the 2022-23 pressures, putting the approximate reserves balance closer to £8.809 million. The 2023-24 budget gap is further impacted by the M5 finance report for 2022/23 showing a £13.114 million overspend and 57% savings plan unlikely to deliver. It is for this reason we have determined that there is a significant weakness in the Council's arrangements with regard to its financial sustainability.

Financial sustainability

It is worth noting that the Council has £67.75 million in General Fund Earmarked reserves as a mitigating factor, however, as these are earmarked, it cannot be safely assumed these could be available to financially smooth the budget gap predicted in the medium term. The Council annually examines whether earmarked reserves are required at the current level and where it can, releases earmarked reserves. In the 2022/23 budget setting it released £1.279m earmarked reserves. The Section 151 Officer clearly sets out, in the MTFs, what his judgement is on the minimum level of safe General Fund Working Balance/Reserves for the Council to hold. Current forecasts suggest the Council will drop below this minimum in the medium term. The combination of the extremely challenging budgetary position for 2022-23 and the significant budget gap predicted in 2023-24 and the medium term, which would exhaust reserves, lead us to conclude that there is a significant weakness in the arrangements to achieve financial sustainability.

It is important to acknowledge that the intention to replenish reserves can only be achieved if there are more resources than there is spending, which is currently not the case with BHCC. The Council must seek to avoid exhausting its reserves and balances without any plan to replenish. Using reserves to balance a deficit should be considered a last resort. Although a legitimate financial strategy, the Council cannot rely on smoothing to balance the budget. Unless future years are solid i.e. budgets are balanced, which in Brighton's case they are not, use of reserves is high-risk and should be treated with caution.

Its delivery against annual savings plans exacerbate this weakness in arrangements. The Council has regularly experienced large budget gaps resulting in reliance on the delivery of large savings programmes which creates additional risk if savings are underachieved or unexpected financial shocks occur during the period (e.g. cost of living crisis, Ukraine etc.)(Table 1). The Council effectively needs to 'over-plan' if it is to assume 100% delivery to factor in the fact that it consistently delivers below its savings plan. Should the savings schemes fail to materialise, the Council could fail to store a recurrent budget deficit which could then deplete available cash reserves and put the Council in the position of failing to achieve a balanced budget. Building up risk reserves, complemented by over-programming of savings, would enable it to manage both any under-achievement of savings and any unexpected financial downturns.

The Council has been aware of the precarious financial position for some time. In the 2020/21 outturn report, officers recommended that the £4.921m underspend on the General Fund revenue budget be used to repay reserves. Instead, Council chose to use these resources to prioritise alternative areas of discretionary spend. In addition to the building up of risk reserves and the over programming of savings plans, the third element of our key recommendation is a stronger focus on decision making by the Council, to challenge itself on the breadth and depth of its service provision in light of its current financial position.

Table 1: Planned and delivered – 2017/18 to 2021/22

Savings (£'m)	2017/18	2018/19	2019/20	2020/21	2021/22
Planned	21.367	12.678	12.236	10.291	10.7
Delivered	17.203	11.145	11.288	7.382	7.5
% delivered	80.5	87.9	92.3	71.7	70.1

Table 2 : Predicted budget gaps – the movement from February to July 2022

	2023/24 (£'m)	2024/25 (£'m)	2025/26 (£'m)
February 2022 budget	6.25	4.75	3.718
July 2022 budget	20.99	9.148	7.488
Variance	14.74	4.398	3.77

Plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Temporary accommodation and homelessness

There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the Council's overall financial position. Temporary accommodation is one such demand-led budget as activity is difficult to forecast and relatively small changes in demand can have significant implications on the budget

Financial sustainability

strategy. For 2021/22, housing services and temporary accommodation overspent by £6.166 million. Within this, the budget for temporary accommodation (TA) overspent by £1.715 million. However, £5.370 million of Contain Management Outbreak Fund (COMF) grant was used to offset this leaving an overspend of £0.796 million.

Core Government funding for TA increased overall but it was insufficient to support the service pressure. During the year, further pressure of £0.715m relating to extra costs of block booked emergency funding increased the disparity from budget.

The overspend also reflects increased rent loss and council tax costs due to leased TA properties remaining empty, awaiting repair.

The Council also experienced very substantial costs associated with the provision of additional emergency hotel accommodation acquired in the pandemic as part of the 'Everyone In' Initiative. This service cost £5.777m in 2021/22 and was funded through a one-off Council budget, Next Steps Accommodation Programme (NSAO) funding and COMF grant funding. The Council initially paid for 410 rooms but this was reduced to 47 as at March 2022.

The Council acknowledged the high risk of this pressure point in the MTFS. The numbers in temporary accommodation and associated support services have been increasing year on year, further exacerbated by the pandemic. Although short term funding has been received to support temporary accommodation costs, if people are not successfully 'moved on' to sustainable housing, this will have a knock on impact to baseline numbers and the Council budget in the medium term. There are significant challenges to 'move on' due to a range of factors, many of which are outside the Council's control.

The medium term plan involves investment in housing and homelessness, including over £95 million to deliver new build or

purchased, affordable housing and temporary and emergency accommodation (EA) through the HRA and Housing Joint Venture. The Corporate Plan involves annual revenue investment in 2022/23 for £1 million provision for increased temporary accommodation, £0.715 million for increased Housing General Fund Management and staffing costs due to increased demand on temporary housing and £1.5 million TA spot purchase costs for one-off Covid-19 cost pressures.

The government has not yet announced any additional Covid-19 funds for local authorities for 2022/23 but the Council has reiterated that this remains a key area of lobbying, particularly in relation to areas with higher levels of homelessness and rough sleeping.

The Council is attempting to mitigate the risks posed by the future of temporary housing through implementing arrangements to monitor progress of the plan. The Homeless Reduction Board monitors progress on meeting the conditions of the NSAP funding and oversees progress with the recovery of homelessness services, including face to face services, income recovery, move on and reconnections.

The Board serves as an advisory board to the Housing Committee and the Health & Wellbeing Board, membership consists of three Members and a panel of non-voting members and meets at least quarterly. The Board is chaired by the Chair of the Housing Committee.

Inspection of Housing Committee minutes shows evidence of effective check and challenge, with members questioning the effectiveness of the Homeless Reduction Board generally. There is evidence of actions being taken away and resolved at later committees. We are satisfied that the Council has appropriate arrangements in place with regard to the monitoring of the homelessness issue.

The Homelessness Transformation Programme was formed with the purpose of reducing homelessness and rough sleeping in alignment with the Corporate Plan. To date, the programme

has achieved a 73% reduction in emergency accommodation placements and overall 16% decrease in total numbers in EA. Towards the end of 2021, Brighton was accused of inappropriately placing homeless people out of area in neighbouring towns. The Homelessness Transformation programme now boasts an overall 50% reduction in emergency accommodation placements outside of the BHCC area with a 68% reduction in placements in Eastbourne and 16% reduction in Lewes. The Council must seek to continue its efforts in this area and build on this promising progress.

Adult social care

Councils are facing key challenges surrounding the lack of transparency in future funding, increasing demand (especially in mental health and young people with complex learning disabilities transitioning from Children's into Adults), increasing prices charged by providers and lack of capacity to transform its services to meet the challenges ahead.

We documented in our report last year, Brighton's somewhat uniquely high adult social care spend. Brighton and Hove recorded the second highest total spend on Adult Social Care per adult resident aged over 18 in 2021 but also recorded the highest number of adult residents aged over 85 that year. We concluded this to be reflective of specificities at Brighton with regard to age of population and complexity of care to meet population demographic as opposed to an indicator of inefficiency in service provision. Nonetheless, adult social care at the Council is one of the highest risk areas of performance.

2021-22 plans relied heavily on delivery of savings in Health and Adult Social Care and Families, Children and Learning. 62% of all savings for 2021-22 were expected to be from those directorates. It is important to note that the proportion of savings targets is reflective of outturn of these directorate. 2021-22 outturn showed that £1.409 million of the £4.515 million of the savings plan was not achieved in Adults Services. In order to achieve a balanced budget for 2022-23, these savings still need to be delivered.

Financial sustainability

The overall position for Health & Adult Social Care (HASC) was an underspend of £4.421 million against budget as at M12 of 21-22 but it is important to note that this was after applying service pressure funding of £12.7 million which was used to fund budget pressures resulting from increased complexity in costs of care. £0.361 million was also needed to backfill the reduction in CCG funding contributions. Covid-19 also had a significant impact on adult social care, in particular, with the discharge issues from hospitals into care settings, although this was somewhat mitigated by the NHS funding.

The future of adult social care into 2022-23 and beyond appears challenging. The Council is having to grapple with pressures on NHS budgets resulting in reduced CCG funding contributions, increased costs from discharging pressures at acutes into residential and nursing home care, ongoing efforts to transform GP practices and medical services to contribute to preventative support supplemented by workforce capacity challenges across the sector. Tight capacity and labour market issues across care has resulted in a build up of need which will see costs increase with the Council factoring in an estimated £7m cost pressure across adults and children's social care for 2022-23. Financial sustainability of demand led services was identified as a priority area of focus in June 2022 by the Authority.

Demands on social care services continue to increase due to the growing population of the city and the continuing trend for people to live longer with limiting illnesses, disabilities, mental health issues or dementia – increasing the support needs in their homes and within the community.

Financial planning has been constrained by wider environmental uncertainty. As was acknowledged by the Council in the update to the MTFS, the long-awaited Social Care Reforms 'potentially raised more questions than answers'.

For 2022/23, funding of £12.498m has been provided to support identified cost pressures in priority demand-led services across ASC, Children's Services and Homelessness and Rough Sleeper Accommodation. This has helped to mitigate but not remove risks. Adult social care has been aided by the 1% increase in the precept which would allow £1.588m additional funding if agreed, additional funding of £3.056m and increases to the Improved Better Care Fund which provides joint funding toward adult social care and has increased from £9.182m to £9.459m.

While positive, the adult social care precept increase and additional grant funding is not enough to balance the budget and must therefore be supplemented by a substantial savings programme. At M5, £1.27 million of the £2.224 million 2022/23 savings plan were being forecast as unachievable, approximately 57% of the plan. This is a significant proportion, particularly considering the pre-existing challenging position. The Council plans to manage residual risk through management of non-statutory budget areas. The Council has actions focused to manage demand on costs of care placements across Assessment Services and making the most efficient use of funds.

The HASC Directorate has a Modernisation Programme in place for transformation efforts. There are concerns surrounding the delivery of this programme, demonstrated through its 'Red' rating as at March 2022. As per the TBM M5 report, this can be attributed to delays in implementation of the savings strategy and concerns regarding materialisation and deliverability of cashable benefits. Close monitoring of the modernisation programme and the Adult Social Care directorate performance generally aids the Council in mitigating the risk involved in this demand-led service.

Capital and the capital programme

At February 2021 Policy & Resources Committee (P&R), the Authority set out the intention of carrying out a £221.103 million capital programme for 2021/22. As per the year end statement of accounts, only £110.2 million capital outturn was delivered in year (49.8%).

The Council reprofiled £46.061 million and incurred slippage of £2.757 million during the year and other adjustments brought the reprofiled capital budget to £118.057 million at year end. It was this reprofiled budget that the £7.9 million underspend reported in the accounts was measured against, as opposed to the original £221.103 million programme initially announced in February 2021. Reprofiling and slippage of £48.818 million of a £221.103 million budget represents 22% of the original plan - a significant proportion.

We understand from our discussions with management that a key driver for slippage of the capital programme was due to the pandemic, in particular, working restrictions, supply chain issues, impacts on consultation processes and many other impacts. The overall position for Health & Adult Social Care (HASC) was an underspend of £4.421 million against budget as at M12 of 21-22 but it is important to note that this was after applying service pressure funding of £12.7 million which was used to fund budget pressures resulting from increased complexity in costs of care. £0.361 million was also needed to backfill the reduction in CCG funding contributions. Covid-19 also had a significant impact on adult social care, in particular, with the discharge issues from hospitals into care settings, although this was somewhat mitigated by the NHS funding.

Financial sustainability

The 2020/21 capital programme delivery against original plan showed a similar position. The 2020/21 budget in February 2020 showed the intention to carry out a £166.669 million capital programme. The 2020/21 accounts shows the Council reporting an outturn of £90.25 million with reprofiling of £40.487 million and £3.776 million slippage. The reprofiled budget therefore gives rise to a £7.132 million underspend. However, if we compare outturn of £90.25 million against an original budget of £166.669 million, this shows that only 54% of the original budget was delivered.

The Council has announced a capital investment programme for 2022/23 of £222.788 million which is a sizeable figure. Considering prior year outturn was £110.2 million, the 2022/23 budget represents more than double the outturn of the previous year. We have raised an improvement recommendation regarding the Council's capital budgeting. We are concerned with the Council's ability to set a realistic capital budget that reflects likely spend. Inability to do so undermines the Council's ability to effectively manage its capital budget and deliver its growth plans.

The capital programme is supported by governance arrangements that monitor delivery. Financial risks are managed through TBM which is reported to the P&R Committee quarterly, progress on projects is reported to the Strategic Investment and Delivery Boards and any significant changes to schemes are reported to the P&R Committee. The Budget Review Working Group provides a forum for officers to develop and report on the Council's capital budget and strategy and is an advisory board that reports to the P&R Committee.

Although there is evidence of monitoring of the capital programme at P&R Committee, the indications are that focus should be turned to setting realistic budgets which allow for sufficient lead time before expenditure is likely to be incurred. An improvement recommendation has been

raised in respect of the realism surrounding capital budget setting.

i360 loan restructure

The Council has arrangements in place to monitor changes to its partnership arrangements and adapt agreements to prioritise protecting its financial interests. The i360 is an observation tower that sits on the Brighton seafront. Originally opened in 2016, the Council lent Brighton i360 Ltd £36.2 million in 2014 using PWLB money to operate and manage the tower. Interest has now pushed this figure to about £43 million. From 2019 to 2021, more than £6 million in repayments that the i360 was due to make were deferred due to Covid-19, although the attraction was experiencing low visitor numbers prior to the pandemic. There is a value for money concern, in particular, a financial sustainability concern, surrounding the risk that the company could default on the loan, forcing the Council to step in. The prospect of loan restructure was on the table in 2019 but work on this was paused due the uncertainty caused by Covid-19 in making projections about visitor numbers and business revenues.

In July 2022, the P&R Committee received a report detailing the plan to undertake twice yearly cash sweeps of the company leaving only an 'operational cash float' as part of an overall debt restructure with a reduced interest rate and minimum payments based on forecast visitor numbers and revenue over a 25-year term. The schedule assumes a minimum cash sweep that reflects seasonal variations and is set at a level that is lower than expected cash surpluses set out in the business plan projections to ensure the Council is repaid 'as quickly as possible.'

The plans include obligations to repay outstanding debts earlier than the revised loan term should the i360 exceed the minimum cash sweeps.

In June 2022, the Council received £700,000 from the company to help meet servicing costs; a promising sign that the restructured loan payment schedule could be manageable for the business. The plan in the restructured loan is to increase minimum payments from 2026 onwards in line with the assumption of higher visitor numbers, with the Council expecting to receiving at least £1 million every six months.

In late October 2022, Brighton i360 wrote to the Council to notify they would not be in the financial position to make the loan repayment of £900,000 at the end of December. The business had experienced lower visitor and revenue figures than forecast, along with higher costs, citing the overall economic environment and the cost of living crisis as the key reasons. Although the Council still expects the business to make part payment, this leaves the recoverability of this investment of public money in a high level of uncertainty and risk. This has prompted an urgent review of options open to the Council to recover the debt, but clearly this significantly increases the risk that the Council will not fully recover the loan made to the business and any write down of the loan would further hit the Council's limited reserves further exacerbating the significant risk around financial sustainability highlighted above. Until the Council has fully reviewed options open to it, the likely financial impact over the medium to long term view remains unclear. We emphasise the importance for the Council's urgent review of options, and review of the current structure of the loan, to come to a realistic view of what repayment the Council is likely to recoup on the investment and therefore to be able to include some accurate forecast of the impact of this on the Council's financial sustainability.

Financial sustainability

81 The current arrangements that are in place for monitoring the business are the i360 Member Working Group, whereby a member from each party meet regularly with finance officers from the Council and Brighton i360, along with other key management personnel, and officers from the Council's appointed consultant business advisory specialist. This meeting discussed the business current financial position against plan, and also future plans to increase visitors/revenues. Note the Council's senior finance officers also attend key meetings at the Brighton i360 where the financial position is discussed, and they receive financial performance updates outside of the Working Group meetings. Our view is that the current arrangements in place are sufficient for the Council as an investor to maintain reasonable oversight of the Brighton i360 business performance, acknowledging that the business only reopened to the public in May 2021 after the pandemic so there was still a high level of uncertainty over how the business would recover in early 2022 which was only further added to by the macro-economic events later in the year.

We will carry out more detailed Value for Money work for the 2022/23 Auditor's Annual Report around the financial position and governance arrangements as they have operated during the 2022/23 financial year including discussion of the Council's review of options and loan repayment arrangements.

Conclusion

2021-22 financial performance was cushioned by one-off Covid-19 grants, enabling the Council to finish with an underspend. However, 2022-23 is an extraordinary year. Unlike in previous years, it is unlikely that the Council will be able to recoup its already predicted overspend. The reserves balance is low and concerning. Tough financial decisions will need to be made in the medium-term to manage this precarious position and ensure financial sustainability.

We have identified a significant weakness in arrangements relating sustainability of reserves and identification of savings to bridge the identified budget gap and we have issued one key recommendation as a result. We have also issued one improvement recommendation

Improvement recommendations



Financial sustainability

Recommendation 1

The Council should review and evaluate how it sets its capital budget. Consideration of this will enable it to set more realistic budgets going forward.

Why/impact

Inability to set realistic capital budgets undermines the Council's ability to effectively manage and deliver its capital budget. Consistently high capital budget setting at the start of financial years coupled with low outturn cast doubt on the Council's ability to accurately forecast expenditure and present and deliver a realistic capital programme.

Auditor judgement

We found evidence of the Council continuously setting high capital programmes at the February budget setting and failing to deliver against these targets come year end. At February 2021 P&R Committee, the authority announced the intention of carrying out a £221.103 capital programme for 2021/22. As per the accounts, only £110.2 million capital outturn was delivered in year (49.8%). The Council reprofiled £46.061 million and incurred slippage of £2.757 million during the year and other adjustments brought the reprofiled capital budget to £118.057 million at year end. The 2020/21 budget in February 2020 showed the intention to carry out a £166.669 million capital programme. The 2020/21 accounts shows the Council reporting an outturn of £90.25 million with reprofiling of £40.487 million and £3.776 million slippage. When setting the capital budget, the Council must consider the previous year's outturn and the high proportion of reprofiling that was necessary to meet that outturn. The consistent 'underspends' reported at year end against the capital budgets can present a misleading picture as they are measured against the reprofiled capital budgets rather than the original budget. Prudent budget setting would involve the Council's prioritising consideration of the prior year end reprofiled budget and outturn as opposed to continuously rolling forward an ambitious capital plan.



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations

Recommendation 1 (continued)

Management Comments

While the auditor's findings regarding the gap between annually approved capital investment and the actual incidence of capital expenditure is accepted, the effect of this on resource assumptions and estimates, including the revenue budget, is not always direct. The key risks identified in relation to capital programme delays are:

- A potential loss of resources if capital grants are not spent in accordance with grant conditions and timelines;
- Setting aside scarce revenue budget resources (i.e. in the Capital Financing budget) ahead of when they are actually needed, thereby unnecessarily squeezing other revenue budgets;
- The cost of capital schemes rising with inflation due to delays, and;
- Delivery delays potentially impacting on revenue savings where the capital investment is an invest-to-save scheme.

However, when there are delays to schemes funded by capital grant the council will normally benefit from investment income on higher cash balances until expenditure is incurred, which can help to mitigate any inflationary risks. The council has not lost any resources due to delays and, in this respect, government departments are providing increasing flexibility as they recognise the delivery challenges for councils. Up until the pandemic, the council experienced a similar level of re-profiling and slippage each year of around 20% to 25% of its programme. This is normal and can be for a wide range of factors including identifying additional remedial works once on site, contractual or procurement issues, or needing to alter schemes following consultation with users, tenants, residents or partners. Since the start of the pandemic and continuing to the present day, capital programme slippage has been much more significant (up to 50%) due initially to social distancing and lockdowns, but then subsequently due to severe recruitment challenges and ongoing materials and supply chain issues for many programmes. For this reason, since 2021/22 the Capital Financing budget has been projected on a more realistic profile of capital spend within the Medium-Term Financial Strategy to ensure that the council does not set aside scarce revenue budget resources ahead of when they are needed. In essence, from a revenue budget perspective, the Capital Programme is therefore correctly profiled. However, in the current higher inflationary environment, delays need to be minimised otherwise total scheme costs (and therefore capital financing costs) can ultimately increase. However, this pre-supposes that delays are avoidable, but they may also be a reflection of unrealistic delivery expectations in the first instance.

It is therefore accepted that to provide more accurate information to the public and other stakeholders concerning when a capital scheme will be delivered, the Capital Programme itself should more accurately profile capital schemes across years and realistically reflect the current capacity and supply chain challenges in the setting of timelines for delivery. However, it should be noted that this does not directly affect revenue budget assumptions which are already adjusted to a more realistic delivery timeline. A detailed capital programme review is currently underway for the 2023/24 capital programme which will enable the council to satisfy the auditor's recommendation on both counts.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Strategy development

Brighton's recent strategic development has followed a 3-pronged approach:

1. The medium term financial strategy (MTFS)
2. The Business Framework
3. The classification of essential and non-essential

For the previous two financial years, the Council has been unable to plan with any certainty beyond the one-year Spending Reviews provided by central government. The medium term financial strategy (MTFS) represents a significant shift from short term planning focussing on longer time horizons in the aim of developing an achievable, sustainable budget over the 4-year period. Since 2015, the Council has introduced medium term planning to aim to introduce greater financial resilience and aid management of the challenging local government financial situation that was exacerbated by austerity and more recently, the pandemic. The MTFS serves as a mechanism by which the Council can demonstrate and articulate plans to achieve financial balance through providing the opportunity to smooth out savings over the period and avoid destabilisation of service provision. The announcement of the 3-year Spending Review 2021 created clarity for the next few years for the Council and allowed the Council to depart from the annual plans of the last couple on Covid-19 impacted years and introduce longer term planning.

The Council is also working to develop what it has titled its 'Business Framework.' The framework is a medium-term strategy encompassing the period 2023 to 2027.

The framework is currently in progress, and the guidance aims to outline:

- strategic direction to what services the Council delivers,
- how citizen need and customer demand will be met by these services,
- the standard and citizen experience of that deliver,
- and the cost of delivery.

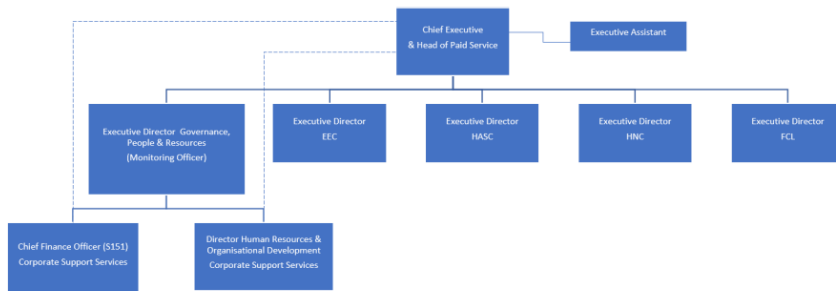
The framework aims to combine the qualities of collaboration, innovation, sustainability and impact to guide a people-centred approach to service provision to balance the Council's ambitions against a context of financial constraints and wider economic unpredictability and restriction.

The final project the Council is currently working to develop surrounds the classification of essential and non-essential services. The purpose of this classification is for senior officers at the Council to be able to demonstrate their clear prioritisation of service priorities. The classification will aid officers when facing scrutiny for decision-making and allow them to evidence their strong understanding of who the clients/customers of Council services are, how and when they are engaging with the Council, the standards they expect, the resource efficiency and impact of those engagements. The development of this classification serves as evidence that future financial planning at the Council will be informed by a clear understanding of the cost of delivering core statutory services as distinct from discretionary areas of spend.

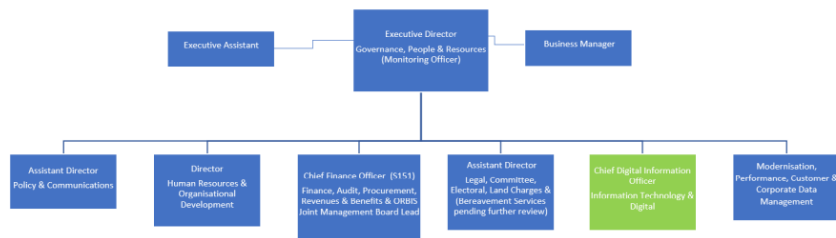
The triangulation of these strategies demonstrates the Council's focus on creating coherent links between stated corporate strategic priorities and the design of the budget, particularly in regard to investment and disinvestment of services and the approach to financial sustainability.

Governance

Proposed Executive Leadership Team Structure 2021



Proposed Governance, People and Resources Departmental Management Team Structure 2021



The effort made by Council leadership with regard to these three strategies forms part of the Council’s attempts to bolster the arrangements it has in place to ensure that all relevant information is provided to decision makers before major decisions are made and for the challenge of key strategic decisions before they are taken, in particular, the classification of essential and non-essential, which will help to guide the Council through an especially challenging financial future.

Structural changes

The Council introduced changes to the Scheme of Delegations to Officers during 2021/22. In December 2021, the P&R Committee approved the proposed merger of the Finance & Resources (F&R) and the Strategy, Governance & Law (SG&L) directorates into the new Governance, People & Resources directorate. The merger came in partial response to the departure of 3 members of the Executive Leadership Team (ELT) during 2019-20 which resulted in the CEO instituting interim acting up and delegation of authority measures to ensure the smooth functioning of the Council officer team and operational delivery of Council services. The interim arrangements were extended into 2020 due to the change in administration and the focus on the pandemic. The logic behind the merging of the two directorates surrounds the premise that these services provide complementary roles and combination of the two directorates will ensure financial stability and good governance as well as providing the rest of the organisation the capacity, support and guidance needed to achieve coherent strategic direction. The fusion of the functions is expected to help in achieving economies of scale, synergy and strong, cohesive, centralised support.

We are satisfied that the changes implemented followed due process and were subject to senior officer and member scrutiny. The Council consulted with staff and trade unions surrounding the proposal in October 2021. It is evident from minutes and papers that issues were highlighted during this engagement and consultation and conclusions derived as a result. For example, the movement of Bereavement Services to Health & Adult Social Care directorate was paused to allow for further discussion with affected staff and in light of concerns surrounding management team capacity within the HASC directorate. This example serves to demonstrate that stakeholders are consulted during the development of governance structural changes and feedback from consultations are used to determine priorities and guide planning.

Governance

Pressure on the senior management team has reached a greater degree of intensity during the Covid-19 pandemic. The team was already suffering with less capacity and resilience following years of disproportionate reduction in management and administrative resourcing. Since 2015, the headcount of the organisation has reduced by 8.1% whilst management level (M8 grade and above) has reduced by 37%. Capacity challenges are key issues being felt by councils across the country. It is important to highlight that consistent reduction of senior managerial capacity is likely to have a future impact on the Council's capacity and capability and therefore likely to impact good governance. The Council must take care to keep a focus on this.

Interim and acting up arrangements can contribute to confusion over key roles and responsibilities and should not be seen as a substitute for internal, fully staffed and skilled teams. The merging of the two directorates offers a solution to this by providing full time permanently resourced staffing, as is demonstrated by the appointment of the Executive Director for the newly formed Governance, People & Resources directorate, Abraham Ghebre-Ghiorghis.

To support the new Executive Director and the Departmental Management Team, a new Assistant Director and Business Manager post have been included. This also responds to the reframing of the shared service arrangements in Orbis, feedback from the Leadership Network staff survey regarding workload pressures and slightly mitigates the impact of the 37% reduction in senior managerial capacity since 2015. This serves as evidence that employee feedback is taken into account when significant changes are proposed.

Budget setting process

We are satisfied that the Council's budget setting process includes consideration of trends, involves forecasts being subject to risk and sensitivity analysis, considers alternative

proposals and scenarios before agreement of the final version of the budget and is informed by the medium term financial plan. Procedurally, the budget setting process has not changed from the previous year, therefore, as we concluded last year, we reiterate our judgement that the Council has a predominantly comprehensive budgetary setting and control process and appropriate system in place for the monitoring and assessment of risk within the system.

Risk management

BHCC has a comprehensive risk management system that has arrangements in place to identify strategic risks, understand them, record them within the system and assess/score them. 'Risk management' remains the second of the eight Council corporate objectives, demonstrating its importance. Risks are reported via the Performance Management Framework Dashboard. The Strategic Risk Register (SRR) is reported to Audit & Standards Committee (A&SC) quarterly and to P&R annually, as per the Terms of Reference. Strategic risks are given a score based on impact and likelihood and RAG-rated based on the score.

The Council has an adequate and effective internal audit function in place to monitor and assess the effective operation of internal controls. Internal audit issued 34 audit opinions on BHCC's system of internal controls in 2021/22, 23 of these concluded 'Reasonable Assurance', 8 received 'Partial Assurance' and 3 'Minimal Assurance.'

There is no evidence of pervasive or significant weaknesses in internal controls or significant gaps in assurance.

We documented in our prior year report, concerns surrounding the work of committees, including the remit, programmes of work, use of sub-committees and delegation

of items to officer groups. We issued an improvement recommendation for the Council to consider the remit and programmes of work for its committees to manage the length of the agendas. Our current review has shown evidence that the Council reviews the workload of committees through discussion at ELT meetings, with proposals for changes to ensure a more equitable distribution of key functions then escalated to Group Leaders. This can be evidenced through the changes made in December 2021, where changes were made to working member groups and advisory bodies, a joint committee was disbanded and replaced by a new Orbis Partnership Board and key functions were transferred between committees.

The Council also performs an annual review of working member groups. The most recent review was reported to the Policy & Resources Committee in May 2022 and resulted in changes to the Council's 32 current permanent working member groups and its seven advisory bodies.

We noted in the 2020/21 Auditor's Annual Report that linked to the above concerns about Committee capacity, that the Policy and Resources Committee had not reviewed the SRR during that year and had not demonstrated review of the SRR since 2020. During 2021/22 the SRR was circulated to members via email along with other committee reports with a view to minimising the reports for debate at committee. Members had the opportunity to question anything in the SRR. The SRR was also taken to the Policy & Resources Committee in December 2022. We are satisfied therefore that review of the SRR has been adequately demonstrated.

Governance

Audit Committee effectiveness

A robust internal audit service and A&SC are important lines of defence in a council's control environment. This committee should provide assurance on the arrangements in place over governance, risk management and the overall control environment, as well as review the financial and non-financial performance of the Council.

Review of Committee minutes for 2021-22 shows that the Strategic Risk Register was reviewed quarterly at A&SC. We consider that the A&SC receives sufficient assurance to enable it to assess whether internal controls have operated as expected and there is no evidence of significant gaps in the assurance the A&SC has obtained over matters within its work programme.

A diversity of skills and experience can enhance the effectiveness of the Committee as members offer differing viewpoints and challenge from varying perspectives. There is evidence that members on the Committee at the Council possess these diverse skills as members have experience in legal, the NHS, marketing, engineering, town planning and property services as well as some careered politicians.

There is no evidence of unexplained high turnover of A&SC members. There was fairly significant turnover from May 2020 appointees to the May 2021 changeover with seven out of ten members being replaced. From May 2021 to May 2022 Full Council, the Committee turnover was limited with only two departures and additions. The rate of turnover is promising as reflects the Council's awareness that continuity in membership aids the Committee's ability to scrutinise effectively and allows members to develop and improve their financial and audit knowledge, enhancing the robustness and efficacy of the committee.

A&SC attendance varied throughout 2021/22. Attendance was impacted by public health considerations and the legal measures introduced to minimise risk to health as a result of the coronavirus pandemic. In March 2021, only one of the ten committee members was in absence at the meeting. In June 2021, there was a dramatic reduction in the number of attendees. Upon querying the Council, we learnt that this was due to compliance with legal requirements introduced as a result of the pandemic. In May 2021, the Council interpreted government guidance to determine that hybrid meetings where some members attend remotely, particularly if they are not voting, to be unlawful. Council also concluded that virtual attendees advising or making recommendations to officers who hold decision-making power to be unlawful. As a result of this determination, only four members attended the June 2021 Audit Committee. While it is clear that effectiveness of the Committee would have been impacted by the low attendance, we determine Council's decision to uphold the fairness of the Committee (restricting non-voting members from attending) to be a reasonable interpretation of government procedures. However, attendance at further committees throughout the year remained variable, with at least three members in absence at the September 2021, January 2022 and June 2022 A&SC meetings. One of the two independent members was only able to attend two out of the seven committees from March 2021 to June 2022. The role and effectiveness of the A&SC is diminished if attendance is insufficient to ensure robust scrutiny.

We have assurance that A&SC members are appropriately trained. The last training was provided for the Committee on 15th June 2022 covering the whole sphere of Audit & Standards responsibilities, including sessions led by key officers from internal audit, risk management, legal and the Chief Finance Officers. Training is also provided to Chairs as and when they change, and to the Council's two Independent Persons.

The Annual Governance Statement

Councils are required to prepare an annual governance statement which is consistent with the good governance principles set out in the CIPFA 'Delivering Good Governance in Local Government Framework' (2016). In our role as external auditors, we are obligated to review the extent to which the Council's AGS complies with CIPFA's guidance. Through our review, we have concluded that while broadly satisfactory, we identify two areas in which the Council's AGS could be strengthened to ensure unequivocal alignment to the guidance.

As per the guidance, the statement should:

- Demonstrate how they have monitored and evaluated the effectiveness of their governance arrangements in the year;
- Communicate to users its governance arrangements and how the controls it has in place manage risks of failures in delivering its outcomes. It should reflect an individual authority's particular features and challenges.

Improvement in these two areas will help to bolster the Council's statement and provide necessary reinforcement to the governance arrangements.

Conclusion

Overall, the Council has strong governance arrangements. 2021-22 saw the merging of two directorates into the new Governance, People & Resources directorate in order to rationalise senior staffing in those areas but also ensure it could provide the organisation with capacity, support and guidance needed to achieve coherent strategic direction. There are areas of improvement identified with regard to the remit of the Policy & Resources Committee and the Annual Governance Statement.

We have not identified any significant weaknesses in this area. We have issued one improvement recommendation.

Improvement recommendations



Governance

Recommendation 2

The Council's Annual Governance Statement should be strengthened to ensure unequivocal alignment to the CIPFA Good governance guidance in the following areas:

- Documenting how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year;
- Communicating to users its governance arrangements and how the controls it has in place manage risks of failures in delivering its outcomes. It should reflect an individual authority's particular features and challenges.

Improvement in these two areas will help to bolster the Council's statement and provide necessary reinforcement to the governance arrangements.

Why/impact

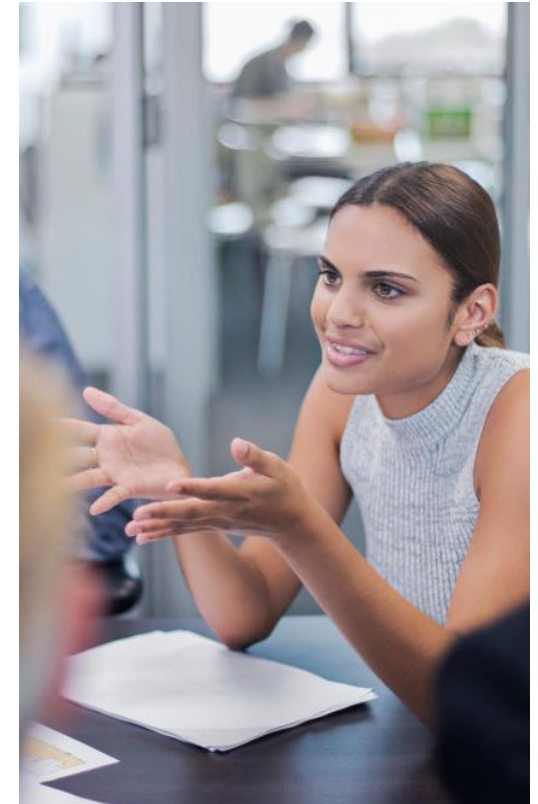
There is the risk that the AGS is not fully performing its role as a vehicle for the Council to communicate to the users of the financial statements the Council's governance arrangements and how the controls it has in place manages risk.

Summary findings

Councils are required to prepare an annual governance statement which is consistent with the good governance principles set out in the CIPFA 'Delivering Good Governance in Local Government Framework' (2016). In our role as external auditors, we are obligated to review the extent to which the Council's AGS complies with CIPFA's guidance. We have identified two areas for improvement highlighted above.

Management Comments

The council is continually exploring options to improve its Annual Governance Statement and associated processes and has developed an easy-to-read Powerpoint version. However, the council will follow up the improvement recommendations made by the auditor to ensure that these are addressed in future Annual Governance Statements to improve the transparency and compliance of the statement.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance management

The Council continues to manage a comprehensive performance management and reporting framework. Corporate Key Performance Indicators (KPIs) are developed at Directorate Management Team (DMT) level and reported quarterly to Customer, Modernisation & Performance Insight Team and Executive Leadership Team (ELT). Performance management is overseen by the Policy & Resources Committee which will receive a bi-annual Corporate KPI report and Customer Insights report. Directorate leads and budget holders are responsible for monitoring and reporting their performance against targets and are held to account via this reporting.

The Council's Performance Management Dashboard shows how well the Council essential functions are performing and highlights what has gone well and areas of focus going forward. As at June 2022, the Council is performing well in the improvement of its staff survey results, improving the digital offer for customers and 'Fair and Inclusive: services and workforce' governance. Priority areas of focus for improvement continue to be financial sustainability of demand led services, risks associated with climate change and the customer experience from high transaction services and complaints response time.

The risk inherent in demand-led services has been assessed in detail in the financial sustainability section of this report, through the deep dive into Temporary Accommodation and Adult Social Care. These services pose risks to the Council's financial sustainability but the authority is aware of this and is responding through decisive measures. The other priority risk areas are being monitored by the Customer, Modernisation & Performance Insight Teams and 'owners' are being held to account for improvements.

Procurement

The pandemic has placed immense focus and strain on public sector procurement across the country. The increased spotlight on the procurement function at councils has coincided with increased scrutiny and a number of audit reports have unearthed poor performance on the part of some councils with regard to adherence to procurement guidelines.

Weaknesses in procurement practices have been identified by detailed Internal Audit reviews during the 2021/22 year. Internal Audit completed two reviews on procurement in October 2021 and February 2022. Both reports were assessed as 'Minimal Assurance' which means that controls are generally weak or non-existent, increasing the risk of error or fraud. The reviews centred on compliance with the Contract Standing Orders (CSOs) after the discovery at the Council of a number of areas where goods and services were procured in breach of the CSOs. The first audit sought assurance that where suppliers were paid more than £75,000, CSOs had been correctly recorded on the Contracts Register. The second report furthered the scope of the first report with greater investigation into competitive tendering of procurements. The main findings from the report that raise concerns from a value for money perspective are:

- **Incomplete Contracts Register** – expenditure exceeding £75,000 was not consistently captured on the Contracts Register;
- **Accuracy of published information** – there was no mechanism to ensure the completeness of information published to comply with the Public Contracts Regulations;

Improving economy, efficiency and effectiveness

- **Incompleteness of public contract publishing** – instances of emergency Covid-9 payments had not been followed up with a waiver record or any central record of these procurements by supplier and the contracts were not being published;
- **Missing contracts** – where CSO required either a contract or tender;
- **Lack of competitive procurement process on contracts** – Though the sum of the contracts identified was determined to be immaterial, there is the increased risk that these contracts may not provide value for money and an increased risk of bias or collusion in procurement decisions.

The procurement function of the Council has agreed to perform a periodic analysis of the Council's spend to highlight any significant variances and to work with Orbis to develop an appropriate monitoring exercise to ensure completeness of the Contracts Register. It is worth highlighting that there is risk the Council does not obtain value for money where contracts are omitted from the contracts register. The Council also cannot gain assurance against the procurement performance indicators it reports to Committee if the Contracts Register is missing significant contracts.

The Council's Contract Standing Orders (CSOs) require an annual report to be presented to the Policy & Resources Committee setting out all waivers authorised under CSOs. The Council's annual waiver report for the year 2020/21 reported a total of 51 waivers with the total value of £15,797,863. The 2021/22 report will be presented to December P&R. It is important to highlight that the reliability of data quality of this report could be reduced where contract procurement data is incomplete as suggested in the Internal Audit findings.

Senior leadership may not receive complete data from which to drive decision-making. While we believe that implementation of Internal Audit's recommendations would address these issues effectively, it is important for us to highlight to the users of the accounts that there is an issue in the feedback loop between the directorates, procurement and senior leadership that may reduce the Council's ability to effectively monitor contracts and therefore have sufficient assurance that the entity is achieving economy, efficiency and effectiveness in its supplier agreements.

We are pleased to note that the Council has since implemented all of the agreed actions of the two internal audit reports and a programme of training has been implemented for client teams who were identified as a non-compliance risk. All contract records identified as absent from the Contracts Register have been updated. To further bolster assurance that the procurement issues identified are being ameliorated, a follow-up internal audit report on these actions is currently underway and any outstanding issues identified will be actioned accordingly.

Orbis Partnership

The Orbis Partnership was established in 2018-19 when BHCC entered into an operational agreement with Surrey County Council and East Sussex County Council to share a joint service for Internal Audit, Insurance, Treasury Management & Taxation, Procurement and IT & Digital Services. The intention was to make savings/efficiencies through collaboration.

We documented in the prior year the changes introduced following some questions from the partners with respect to future savings generation and reframing of the partnership in light of that. During 2021/22, the partnership was revised following a review of partner requirements and overall aims

and it was agreed that the HR, Finance and Business Operation functions would return to individual council control. On 1 July 2021, HR and Finance services were withdrawn from the partnership and Business Operations was withdrawn on 1 April 2022.

As stated in the 2021/22 accounts, the Council has entered into a revised Inter-Authority Agreement with the two partner authorities from 1 April 2022 which includes revised 'contribution ratios' and sets out the financial management and business planning arrangement. With regard to governance, in 2021/22, the Orbis Joint Committee was dissolved and replaced by an Orbis Partnership Oversight Board which retains two members from each partner but is not a formal or public committee. The Orbis partnership still maintains a pooled budget with funding provided by each partner Council. In 2021/22, Brighton provided £8.491 million of the total £35.187 million pooled budget.

At the beginning of 2021/22, the Council set the aim of delivering £240,000 worth of savings as a result of the changes of the Orbis Partnership arrangements. The Council finished the year having realised none of these savings. These savings were intended to be achieved through bringing together the Business Operations services systems and using common system platforms to create efficiencies but both Surrey County Council and East Sussex County Council made the decision to procure separate corporate systems for HR and Finance rendering those savings unachievable.

The decision by Surrey and East Sussex to retrench their sovereign services has meant that savings achieved in past years and planned for achievement during 2021/22 could no longer be deliverable and the net financial impact on the Council was £700,000 additional pressures as at December 2021. This pressure was incorporated into 2022/23 projections and is evident in the MTFs presented at February 2022 P&R Committee. The Council performed scenario analysis and presented in the

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July 2022 update to the MTFs the known cost pressures and revised cost shares following the removal of some services from the partnership against a worst, midpoint and best-case scenario. The amounts were £1.2 million, £1.1 million and £1.0 million respectively.

However, despite the lack of achievement of those savings schemes, the Orbis Partnership continues to successfully deliver the remaining IT&D, Procurement, Internal Audit, Treasury & Taxation and Insurance services, demonstrating that some of the benefits continue to be recognised. Orbis continues to provide significant financial benefit to the organisation despite the unravelling of some of the savings in 2021/22. Over the past seven years, the partnership will have provided exactly £12m in cumulative cash savings (assuming there is no overspend in 2023/24).

The reporting of the changes in the Orbis Partnership arrangements regularly to P&R Committee demonstrates that the work of partnerships is regularly fed back to senior leadership to maintain overall decision-making responsibility. The consistent reporting against the savings progress illustrates that the Council has arrangements in place to monitor whether significant partnerships are meeting their stated objectives, which in this case, they did not.

The stated objective of £240,000 savings was determined to be undeliverable by the end of 2021/22 and the Council included the cost pressures into 2022/23 plans, demonstrating a clear pathway from reporting against objectives to feeding into future plans. It is important to note that in the particular case of the Orbis Partnership, the changes to the objectives were as a result of decisions made by the partners as opposed to BHCC. The revision of the partnership arrangements, in particular, the revocation of HR and Business Operations also shows that there is open

dialogue between the Council and partners and transparency about performance. This enabled partners to build a shared understanding and then modify the partnership arrangement to address challenges.

Brighton & Hove Connected

As reported in the prior year, Brighton & Hove Connected is a strategic partnership between BHCC and local delivery organisations to provide a single local co-ordination framework to develop and drive the implementation of a devised sustainability strategy and performance framework.

We noted that its latest published meetings had not been updated since 2019 and the last shared strategy was updated in 2014-15. The associated City Management Board was initially intended to meet six times a year, receive corporate KPI data from the Council and provide a forum for review of areas of interest to the partners. As reported in the prior year, these processes did not take place.

Our work this year has confirmed that the Brighton & Hove Connected partnership is dormant as a result of the pandemic. The in-person events stopped in line with government guidelines and the Brighton & Hove Connected arrangements, as discussed with relevant colleagues at the Council, is not a partnership that can thrive through hybrid meetings. While we issued improvement recommendations in this area for the previous year, we have noted the changes in developments that have arisen since then. The appointment of the new Assistant Director Policy & Communications has enabled clear developments of plans for partnerships at the Council. All partnerships involving members are also presented at P&R and full Council to agree membership annually.

The Council is currently in the process of restarting the Brighton & Hove Connected partnership. The Council has also invested in undertaking research to map existing partnerships currently actions across the city alongside an engagement programme with a view to relaunching the B&H Connected partnership in the new term. The development of the new Business Framework will also work toward providing assurance over the governance of partnership arrangements.

The Homes for the City of Brighton & Hove LLP

Homes for Brighton & Hove is a partnership between BHCC and the Hyde Group. The Homes for the City of Brighton & Hove Limited Liability Partnership was formed in November 2017 with the Council possessing 50% of the Management Board voting rights through 3 members appointed as Designated Members of the company, however, neither partner of the LLP has a casting vote. The Homes for The City of Brighton & Hove Design & Build Company Limited (D&B Co) is wholly owned by the LLP through its 100% shareholding.

The Council has nominated 3 of its members (50% of the total) to serve as Directors and decisions are taken by the unanimous decisions for the company's six Directors. There are risks to dual roles, not only around whether conflicts of interests are fully managed but also around whether the subsidiary itself is provided with the best skill set for its needs. There is nothing to suggest that the LLP's current governance arrangements are not fit for purpose and as the scope is sufficiently defined, we have no reason to believe that the LLP will outgrow its current governance structure. The company is supported by strong processes for declaring interests and clear decision-making responsibilities.

There is a clear shared strategy for the company. The LLP has

Improving economy, efficiency and effectiveness

the aim to deliver 1,000 affordable homes for rental and sale and the D&B Co is to construct the homes on behalf of the LLP.

In October 2020, the Policy & Resources Committee agreed to amend the agreement with the LLP and D&B Co to bring forward the first two sites and now means the HRA will be purchasing 176 homes to let at social rents. The Council is still obligated as defined by the original 2017 agreement to make financing available as per the 50:50 split during the development of the homes where a cash shortfall in the LLP is identified.

The financing is to be repaid before any surplus crystallizes from the sale of the properties to the HRA. It is important to acknowledge that there is risk within this arrangement as should the partnership experience financial difficulty, it would be the responsibility of the Council to make up the shortfall. This should be carefully monitored and kept under consistent review.

Since 2020, the business plan for Homes for Brighton & Hove (HBH) has been updated following a review to enable the new development company delivery model as a base for future development. The plan includes the requirement that each individual future project will need to be agreed by the Board. The revised business plan has a base model of 50% shared ownership and 50% formula Social Rents (these are Social Rents set to the governments formula which are higher than existing council rents, but significantly lower than Affordable Rents capped at Local Housing Allowance). In response to feedback from councillors and officers, flexibility and an ambition to increase the percentage of social rents above 50% have been built into the revised business plan in line with housing need and Council priorities.

During 2021/22 and 2022/23 reserved matters have been worked up and subsequently received approval by the Board that has seen significant changes to the business plan. This change has resulted in the LLP no longer developing homes to

rent and sell itself but to instead act as a development company whereby it delivers affordable homes for sale to other parties, this could be the Council or Hyde but is not exclusively for those organisations. Individual business cases will be presented to the LLP board for their sign off when a project comes forward from the Development Management team.

The Council's revision of the HBH original business plan serves as an example of a case in which the Council revisited a previous agreement when it became apparent that its initial objectives no longer suited the partnership's current arrangements. The aim to bring the original business plan in line with housing need shows that attention is being paid to external economic and social environmental changes and the Council is making the effort to include a response to this in its activities. Aligning the new plan to Council priorities illustrates that the Council is taking care to articulate strategic priorities and translate them into meaningful actions to be delivered by the organisation.

Following the acquisition and signing of the build contracts in February 2021, work commenced during 2021/22 on the construction of the new homes: 242 new homes on land to the east of Coldean Lane and 104 homes on the side of the former Belgrave Day Centre in Portslade. The first homes are expected to be completed by summer 2023. Commencement of this work is in line with the Council's Housing Committee Work Plan 2019-23 which has the key priority of providing affordable homes for the City.

These two projects are on budget and on time to meet the completion deadlines, the funding from these projects is being provided in the form of income from BHCC and Hyde via sale agreements signed between the LLP and the two buyers in August 2021. A bi-product of this is that the D&B co will be made dormant through 2022/23 as it no longer required to construct homes under the new business plan. The LLP is reviewing its business plan and considering the need for the D&B Co to continue trading. As stated in the LLP's Statement of Accounts for 2021/22, until the new business plan

has been approved by the LLP Board, the D&B Co will continue to be the route through which the homes are constructed. If the decision is to dissolve the D&B Co is taken any cash balances held within the D&B Co will be distributed in accordance with the agreements in place between the D&B co and suppliers.

The Council has an agreement with the LLP to provide the Corporate and Financial Services, which includes a quarterly report to the board outlining the current financial position for each project and forecasts costs over the relevant financial years. This quarterly paper seeks recommendations from the board on significant financial matters such as the expected spend across projects, the sign off of the annual accounts and approving appointments required. Alongside this paper a quarterly development paper is provided by Hyde who are acting as Development Managers to give an update on the construction programme. It is from these reports that the Council will form spend forecasts upon. Independent assurance on all matters involving the LLP and D&B co is provided by an external project monitor.

Conclusion

Our investigation has raised concerns regarding the Council's procurement arrangements. We believe it to be necessary to draw attention to these failings in our report, despite not issuing any recommendations, due to the value for money implications of the findings around procurement as highlighted by internal audit. We have not issued an improvement recommendation, but we have emphasised the importance of fully implementing the actions agreed with Internal Audit. We will follow up on these actions in our report next year. We have issued a recommendation surrounding the Council's management of partnerships, with specific reference to the Brighton & Hove Connected partnership. We have highlighted the Orbis partnership and Homes for the City of Brighton & Hove LLP arrangements to emphasise changes to these arrangements in the year 2021/22 and draw attention to the value for money implications.

We have not identified any significant weaknesses in this area.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	When the Medium Term Financial Strategy for 2022-23 to 2026-27 is prepared, consideration should be given to analysing savings plans between recurrent and non-recurrent elements; estimating risks around savings plans; and including a 3 to 5 year look back at the historic performance of the Council in achieving their targeted savings	Improvement	March 2022	The Council was able to produce a comprehensive MTFS which explored options for adopting more strategic, long term savings and efficiency programmes to aid financial planning and resilience. However, we have issued another improvement recommendation regarding the Council's savings schemes and building in contingency.	Partially	A key recommendation has been issued in 2021/22.
2	The findings and recommendations of the Enterprise Strategy reviews should be revisited at the earliest opportunity .	Improvement	March 2022	The Council developed a new and comprehensive MTFS which made reference to the Enterprise Strategy reviews and action plans to ensure they were embedded in forward planning and priority areas for VFM improvement.	Yes	No
3	Consideration should be given to producing and using a single Workforce Strategy bringing together an assessment of future staff needs with the People Plan assessments around current resources available.	Improvement	March 2022	The Council is working to produce their Workforce Strategy by December 2022/January 2023.	Yes	Follow up next year
4	Consideration should be given to rationalising the work of Committees. This could include changing the remit and programmes of work; or using more sub committees; or delegating different items to officer groups. Where agendas are still long, consideration should be given to whether call over options are fully utilised.	Improvement	March 2022	We were satisfied that the Council has demonstrated that they have reviewed the remit and work programmes of Committees, and review of the SRR has been adequately demonstrated.	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	Data reporting to the Department for Levelling Up, Housing and Communities should be reviewed for accuracy and where necessary revised.	Improvement	March 2022	DLUHC are fully aware that the detailed lines in the RO return do not and cannot accurately reflect all of the different local management accounts for income and expenditure for services maintained by councils and therefore that many local authorities cannot provide analysis at this level.	Yes	No
6	Consideration should be given to updating the Brighton and Hove City Document on the internet as the City emerges from the pandemic. Minutes of Brighton and Hove Connected should also be updated on the internet. (We note also that at page 15 of this report, minor other areas for updating the Council's website were also observed - the Constitution is shown as 2012 and the Executive Leadership Team is shown as meeting six monthly. One catch-all exercise may be effective).	Improvement	March 2022	The Council appointed a new Assistant Director Policy & Communications to help re-energise partnerships, and there are now clear plans in place around partnerships. All partnerships involving members are presented at P&R and full Council to agree membership annually. The Council is currently in the process of restarting the Brighton & Hove Connected partnership. The Council has also invested in undertaking research to map existing partnerships currently actions across the city alongside an engagement programme with a view to relaunching the B&H Connected partnership in the new term. The development of the new Business Framework will also work toward providing assurance over the governance of partnership arrangements.	Yes	No
7	The City Management Board should be encouraged to consider whether information its receives on performance could be enhanced – for example by routinely including financial information or other outputs.	Improvement	March 2022	We are satisfied that improvements to partnership arrangements during 2021/22 have addressed this recommendation.	Yes	No
8	Brighton and Hove City Council should consider agreeing an entity-level Procurement Strategy.	Improvement	March 2022	Procurement have confirmed that this is going to be completed in 2023.	Yes	Follow up next year

Opinion on the financial statements



Audit opinion on the financial statements

The audit of the 2021-22 financial statements audit is ongoing. We have substantially completed the work on our audit of your financial statements, but there is some work outstanding and we have not yet issued our auditor's report.

Findings from the audit of the financial statements were reported to the Audit and Standards Committee on 29 November. Audit findings can have an impact on value for money considerations, particularly around governance. Therefore, this report is presented as an Interim Annual Auditor Report and will be finalized and updated where appropriate on completion of the financial statements audit.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit and Standards Committee on 29 November 2022. There were outstanding matters at the date of that report which are ongoing.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

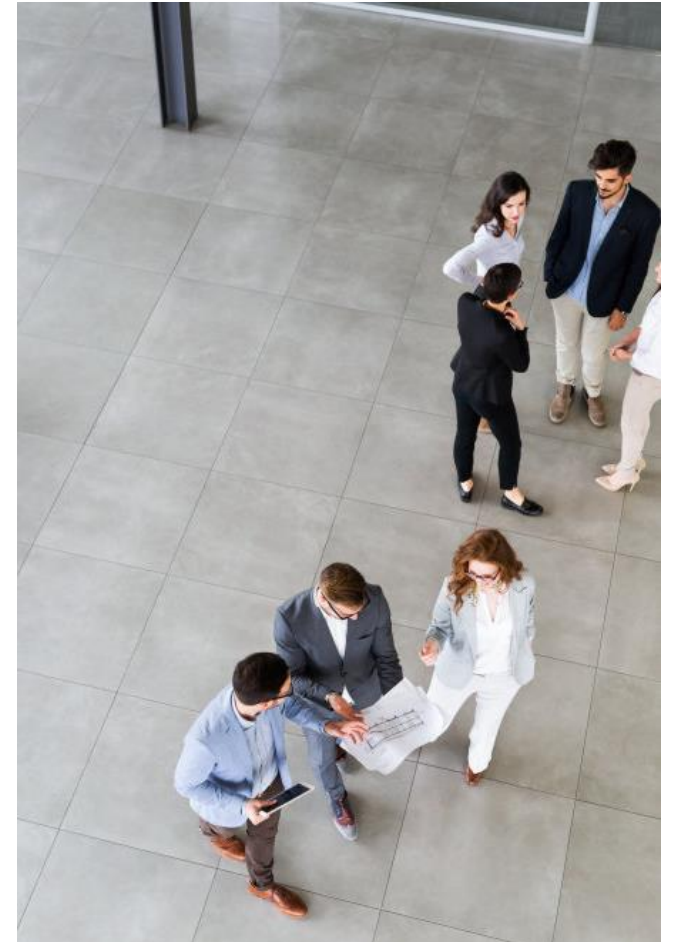
The WGA procedures for the 2021/22 year will be completed after the audit work is complete.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

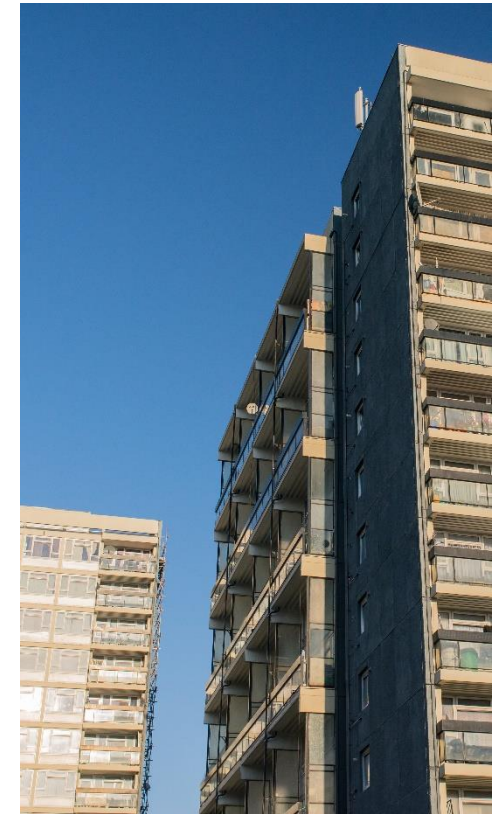
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	Yes	12
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	11, 17-18, 23

Appendix C – Sources of evidence



Staff involved

- Geoff Raw, Chief Executive
- Nigel Manvell, Chief Finance Officer
- James Hengeveld, Deputy Chief Finance Officer
- Haley Woollard
- Abraham Ghebre-Ghiorghis, Executive Lead Officer for Strategy, Governance and Law
- Carolyn Sheehan, Internal Auditor
- Russell Banks, Internal Auditor
- Simon Newell, Policy, Partnership & Scrutiny Lead
- Kenneth Simpson, HR Lead
- Rima Desai, Assistant Director (Customer, Modernisation & Performance Insight)
- Clifford Youngman, Head of Procurement



Documents Reviewed

- General Fund Revenue Budget, Capital & Treasury Management Strategy 2022/23
- Statement of Accounts 2021/22 and 2020/21
- Medium Term Financial Strategy
- Treasury Management Strategy
- Ofsted inspections
- Cash flow forecasts
- Targeted Budget Management Reports 2021/22 and 2022/23
- Summary of Savings Progress
- Capital Strategy 2022-23
- Delegation of Committees
- Housing Committee Workplan
- Modernisation RAG rating guidance
- Modernisation Dashboard
- Corporate Plan KPI progress
- Audit Committee Minutes
- Policy & Resources Committee Minutes
- Strategic Risk Registers
- Budget Guidance Notes 21-22
- Counter Fraud Annual Report 21-22
- Council meeting minutes
- Code of Conduct for Members
- Amendments to Scheme of Officer Regulations
- Internal Audit Annual Report and Opinion 2021-22
- Corporate Key Performance Indicator Target
- Home to School Transport Re-Procurement
- Housing Repairs Maintenance Contracts
- Homes for the City of Brighton & Hove LLP Business Plan

Appendix D - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

ICS – integrated care system

AGS – annual governance statement

SRR – Strategic Risk Register

BHCC – Brighton & Hove City Council

AAR – Auditor’s Annual Report

NAO - National Audit Office

The Code - Code of Audit Practice

MTFP – medium term financial plan

MTFS – medium term financial strategy

TBM - Targeted Budget Monitoring

COMF - Contain Outbreak Management Fund

TA - Temporary Accommodation

KPI – Key Performance Indicator

HRA – Housing Revenue Account

P&R - Policy & Resources Committee

ASC – Adult Social Care

F&R - Finance & Resources

SG&L - Strategy, Governance & Law

ELT – Executive Leadership Team

PWLB – Public Works Loan Board

DMT - Directorate Management Team

AC – Audit Committee

CSOs - Contract Standing Orders (CSOs)

LLP – Limited Liability Partnership

D&B – Design & Build

HBH - Homes for the City of Brighton & Hove LLP

DLUHC – Department of Levelling Up, Housing & Communities



Brighton & Hove City Council

Audit and Standards Committee

Agenda Item 39

Subject: Update Report regarding Members Expenses

Date of meeting: 24 January 2023

Report of: Executive Director Governance People & Resources

Contact Officer: Name: Abraham Ghebre-Ghiorghis
Tel: 01273 291500
Email: abraham.ghebre-ghiorghis@brighton-hove.gov.uk

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 The purpose of this report is to update the Committee on actions taken in response to Committee recommendations in June 2022, having considered the findings of the Internal Audit investigation into claims by members under the Scheme for Member Allowances.

2. Recommendations

2.1 That Committee note the contents of the Report.

3. Context and background information

3.1 Following allegations of irregularity regarding Members' expenses claims raised in the press, an independent investigation by the Internal Audit function (part of the Orbis partnership arrangements) was commissioned. That investigation was overseen by a senior auditor employed by another authority who reviewed the Council's records, interviewed relevant officers and examined the Scheme for Members' Allowances ('the Scheme'). The report was discussed by this Committee [in June 2022](#).

3.2 The investigation did not reveal any widescale failings, however the Internal Auditor raised concerns about the way that the Scheme had been procedurally administered. Their Report, and the Report of the Executive Director for Governance, People and Resources which accompanied it, highlighted a number of issues including lack of clarity in some of the rules and inconsistency in their application. There were considered to have been failures to require documentary proof in support of some claims and it was considered that a higher level of formality in the process should have been applied.

- 3.6 The following recommendations were agreed by the Committee:
- a. A review of the Scheme should be conducted to ensure that the rules for submitting a claim for member expenses are clear and concise. This should specifically include clarifying the rules relating to claiming childcare time for travelling. The review should ensure that any ambiguity regarding the rules for claiming are removed.
 - b. A review of Section 7.2 (Member Expenses) of the Procedural Manual for Democratic Services should be conducted to ensure that there is a clear procedure for processing claims. This should include specifying who is responsible for verifying that duties occurred and who is responsible for authorising the claim. The review should also include what the verification requirements are, for example, confirming that a duty took place, the time and date of the duty, and that there is supporting evidence that childcare was provided.
 - c. Claim forms for expenses should be completed in full and submitted within the timeframe specified by the Scheme. If a claim form is not completed in full, the member of staff processing the claim should return the form to the Member and request further information.
 - d. A claim should only be accepted if it is made within the two-month timeframe specified in the Scheme.
 - e. Supporting receipts and invoices should be provided with each claim form as per the Scheme. If these are not available, the claim should be rejected.
 - f. All members of staff responsible for processing claims should be trained on the correct procedures and requirements.
- 3.7. The Committee agreed that the above would be implemented by the Executive Director for Governance, People and Resources, with the following additional recommendations proposed by members and agreed by the Committee:
- g. All Members should be supported with, and regularly reminded of, their responsibilities to submit fully completed claim forms with supporting documentation within the relevant timeframe.
 - h. Democratic Services should introduce electronic claim forms to reduce the possibility of a claim form being misplaced
 - i. Officers are instructed to consult with the Independent Remuneration Panel (IRP) regarding extending the time limit for submitting claims to three months
- 3.8 The Report asked Members to note that some of the proposed recommendations would involve convening a meeting of the Independent

Remuneration Panel to review the rules and make recommendations to full Council.

4. Update on action taken in relation to the Recommendations in para 3

- 4.1 A review of the Member Expenses Scheme requires that a meeting of the IRP be convened. A New IRP member is currently being recruited and the new Panel will convene to review the Scheme in June 2023. As part of the review, the Panel will be asked to consider extending the time limit for submitting claims to three months.
- 4.2 In response not just to recommendation h) but as a means of generating a more evolved system which is less vulnerable to human oversight/ error, a new electronic system is being introduced. On 23 September 2022, Democratic Services completed a process review of the administration of Members' allowances with exclusive focus on expenses, following the recommendations made at Audit & Standards Committee on 28 June 2022. As part of the process review of the administration of Members' expenses and to support the implementation of a new digital process of expenses claims, a process map has been undertaken which supported the scoping requirements needed to accommodate digitisation of the whole process. In October 2022 we engaged with the technical team to start scoping requirements and met in November and December 2022 to consider any adaptation necessary to accommodate the processing of expenses claimed by Members. Development work will start in January 2023 with estimated implementation by 31 March 2023.
- 4.3 The process map of the administration of member expenses which has been developed clarifies the steps and validation requirements involved in processing expense claims. Roles and responsibilities of officers have been clearly defined, all claim forms are now verified by the Democratic Services Support Officer and authorised by the Head of Democratic Services.
- 4.4 The following validation checks are conducted when an expense claim form is received:

1. That the claim form has been completed in full and includes a full description, time and date of the approved duties attended.

Approved duties for the purpose of payment of allowances are:

1. Attendance at:
 - a. the council or any of its committees and sub committees
 - b. the bodies to which the council makes appointments or nominations;
 - c. a meeting, the holding of which is authorised by the council or any of its Committees or sub committees, provided that it is a meeting to which councillors of at least two political groups of the council have been invited;
2. Attendance at LGA and its committees or any association of which the council is a member;

3. Any other duty approved by any Committee or officer of the council acting under delegated powers, for the purposes of the discharge of the functions of the council or its Committees or sub committees
 2. That the claim has been made within 2 months of the date on which the approved duty was carried out.
 3. That the claim amount is within the maximum rate for the expense type (i.e., Travelling allowance, Child/Dependent Care allowance) that can be reimbursed as per the Member Allowances Scheme 2019-23
 4. That the relevant receipts or supporting information accompany the claim.
- 4.5 If any of the validation checks are not met, the claim is rejected and payment is not authorised. Full reasons are provided to the Councillor on why the claim has been rejected to enable them to address any of the issues raised and an opportunity to provide further information.
 - 4.6 Where a claim form has been submitted but has not been completed in full, a request for further information is sent to the Member. Assistance and advice is also provided on the details that are required for the claim to be processed.
 - 4.7 The two-month timeframe specified in the Scheme is being enforced and is flagged at the verification stage. A recent claim received three months after the approved duty was carried out was rejected as being received out of time, a reminder on the requirement to submit within two-months was provided to the Member.
 - 4.8 Checking that claims are made, with the appropriate form completed and relevant receipts attached is a key validation check conducted by Democratic Services as part of processing a claim. In the absence of this, the claim is rejected and a further request for information is sent to the Member.
 - 4.9 Training on recording, processing and validating Member expenses has been delivered to officers involved with administration of Member Allowances and Expenses. As set out above, an electronic system for processing claims will shortly be introduced and, in the interim, Democratic Services have adopted provisionally the measure of ensuring all claims submitted by Members from April 2022 are scanned.
 - 4.10 Claims forms are currently held and may be obtained from Democratic Services. The Members Shared Area on the Intranet is currently being updated where claims forms will shortly be available for download. As per the Allowances Scheme, "Members are asked not to make claims for any duty or function where there may be doubts as to whether it is an approved duty. In the case of any difficulty of interpretation, councillors should refer to

the Executive Director Governance, People & Resources, or the Head of Democratic Services". The Head of Democratic Services has provided guidance on the claim requirements to Individual Member enquiries and will continue to be on hand to support Members in submitting fully completed claim forms in compliance with all validation requirements for processing claims. Training will be delivered as part of the new members' induction on how to make claims via the electronic system.

5. Community engagement and consultation

- 5.1 This is an internal matter in that it concerns the arrangements the Council has in place to administer allowances to which members are entitled to claim. While there is not considered to be any need for consultation or engagement with the public, this report is placed in the public domain in order to encourage public confidence that appropriate steps are being taken to make remedy the weaknesses which have been identified.

6. Conclusion

- 6.1 The report seeks to update the Committee on steps taken in response to recommendations previously agreed.

7. Financial implications

- 7.1 There are no financial implications arising directly from the report.

Name of finance officer consulted: Peter Francis Date: 12/01/23

8. Legal implications

- 8.1 The proposals in the report comply with the requirements in the scheme for members allowances and the Members Allowances Regulations. The steps taken will provide greater assurance to the public and ensure proper administration of the scheme.

Name of Legal officer consulted: Elizabeth Culbert Date: 06/01/23

9. Equalities implications

- 9.1 Although Members are eligible to claim travel and childcare allowances if they come within the Scheme, the provisions regarding childcare allowances are likely to affect women and those with young children more than other Members. It is therefore important that the Scheme and the administrative requirements that go with it are effective and do not put disproportionate administrative burden on Members who need childcare carers' allowance.

10. Sustainability implications

- 10.1 There are no sustainability implications directly arising from the report.

Background documents

None

Appendices

None

Brighton & Hove City Council

Audit & Standards Committee and Council

Agenda Item 40

Subject: Annual Review of Standards-related matters, including Member Complaints

Date of meeting: Audit & Standards Committee: 24th January 2023
Council: 2nd February 2023

Report of: Executive Director – Governance, People & Resources

Contact Officer: Name: Victoria Simpson, Senior Lawyer – Corporate Law
Tel: 01273 294687
Email: victoria.simpson@brighton-hove.gov.uk

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 To provide a review of Standards-related matters, including a review of complaints received in during 2022 alleging that Members have breached the Code of Conduct for Members.

2. Recommendations

Audit & Standards Committee:

2.1 That this Committee note the contents of this Report and refers it to full Council.

Full Council:

2.2 That full Council note the Report.

3. Context and background information

3.1 Members are aware that the Council is required by the Localism Act 2011 to have in place arrangements for dealing with complaints against elected and co-opted Members. Brighton & Hove City Council reviews its arrangements very regularly, including its Code of Conduct for Members and related Procedure and guidance. It takes steps to make those arrangements transparent, and accessible. It also regularly publishes data on complaints against councillors, via the reports to this Committee.

3.2 At Brighton & Hove City Council, the Audit & Standards Committee has delegated authority for leading in discharging the statutory requirement that the Council maintain and promote high standards of conduct by Members. This Committee receives quarterly reports on complaints against members

as well as information on the training and briefings offered to assist Members in discharging their responsibilities in accordance with the Council's Code of Conduct for members, which are underpinned by [the Seven Principles of Public Life](#).

- 3.3 This Report provides the Committee with its quarterly update on complaints which have recently been received in, and/or are still being considered. It also provides data on all the complaints received in during the 2022 calendar year. The latter is placed alongside the data which is available for preceding years, as well as some of the limited data that other authorities make available. This is done for comparative purposes, so that members may better assess the overall picture at this Council.
- 3.4 Members are asked to note the contents of the Report and to make any comments or suggestions they wish regarding the ongoing challenges of dealing with the relatively large number of complaints received in by this authority in a context of budgetary pressures.
- 3.5 In accordance with this Committee's steer, it is recommended that this Annual Review be referred to full Council, so that it may be considered by all elected Members of the Council.

4. Quarterly data on recent or outstanding Member Complaints

Complaints previously reported to this Committee

- 4.1 For ease of reference, the update on complaints previously reported on but still being considered are presented in a new format, in a table. This is attached as [Appendix 1](#).

Complaints received in since last Update

- 4.2 No new complaints falling under this process have been received in since the last update. This is positive news, although it is partly attributable to the reduced time gap between this Committee meeting and the last one (which took place later than normal, on 29th November 2022).

5. Annual review of Member Complaints

- 5.1 This Report seeks to provide annual review data. It may be read alongside [the Report on this same topic published this time last year](#), which gave details of the mitigations enacted during 2021 to deal with an increase in complaints.
- 5.2 The data provided in [Appendix 2](#) offers a flavour of the volume of complaints made about elected members during 2022 and the topics highlighted in complaints, this alongside the data that is available for recent years. It also provides such comparator data as is available in a context where there is no requirement that authorities publish member complaint data.

- 5.3 The last annual review noted the increase in the volume of complaints during 2021. The possibility of a link with the additional pressures experienced by local authorities during the pandemic and the specific challenges of that time was mooted then.
- 5.4 Last year (2022) saw a decrease in the overall number of complaints against Members of this authority as compared to the two previous years. While information is not made publicly available by all authorities, some comparators are set out at Section 6 of Appendix 2. Members of Brighton & Hove City Council clearly received more complaints in that period than the other authorities considered.
- 5.5 Members are aware that there is no means of compelling Members to co-operate in investigations. [The Government's response](#) in March 2022 to the detailed 2019 review carried out by the Committee on Standards in Public Life on local government standards indicated that no further legislative changes are likely at this stage. Furthermore, since the passing of the Localism Act 2010, Standards Committees have no power to suspend a Member where there is a finding that the Code has been breached. The options are limited to censuring a Member and/or taking measures such as recommending training which the subject Member is free to accept or reject.
- 5.6 The data provided in Section 5 of Appendix 2 sets out the cost of outsourcing two investigations. The internal costs are not recorded as the work is undertaken by a number of different officers, who also undertake other roles.
- 5.7 Members are directed to Section 4 of Appendix 2 for data on the subject matter of complaints. This continues to be spread across a range of activity. One key common factor appears to be comments posted on social media: a topic which has been singled out for particular emphasis in member training (see para 6 below).
- 5.8 In all of the circumstances, and in a context where Members from all of the Party Groups as well as Independent Members have been the subject of complaints, the recommendation is that this Report be put to full Council so it may have an overview of the ongoing trend and the steps which have been taken in the key areas of communication and training.

6. Member Training & other steps

- 6.1 To assist Committee in discharging its role in promoting and maintaining high standards of conduct by councillors, Members were consulted regarding their training preferences during the summer of 2021. The following sessions on standards related matters were offered in the last twelve months (in addition to the member development training run by other functions of the Council):
- I. Refresher standards sessions delivered by officers to enable Members to recap on all aspects of the Council's standards arrangements (including the changes made to it following a root & branch review in summer 2021);

- II. Training sessions delivered by an external trainer on the use of social media, highlighting the challenges and opportunities for those Members who use social media in their roles as councillors;
 - III. Training for Members of the Audit and Standards Committee only, which is mandatory for any member participating in a Standards Panel.
- 6.2 Other initiatives referred to in the Appendix to the last annual Review (in January 2022) as having been recently taken included a root and branch review of the Council's Standards arrangements, which involved updating the Procedure to ensure the relevance of the tests for progressing complaints, as well as the Guidance which aims to set expectations for communicating with stakeholders. Other practical steps such as joining Group whips into complaints about members to assist in progressing them to resolution where appropriate have been continued during 2022.

7. Analysis & Consideration of Any Alternative Options

- 7.1 The Council is obliged under the Localism Act to make arrangements for maintaining high standards of conduct among members and to make arrangements for the investigation of complaints. This Council's arrangements are regularly reviewed. This Report draws attention to the wider picture without recommending specific options.

8. Community engagement and consultation

- 8.1 Recent reviews of the Council's Standards arrangements have been carried out by its elected Members, assisted by officers and the Council's Independent Persons, whose familiarity with process in this area has been helpful. The local community has not been consulted or provided input, although this would be an option for future reviews.

9. Conclusion

- 9.1 Members are asked to note the contents of this Report, which aims to assist the Council in discharging its responsibilities for overseeing that high standards of conduct are maintained in a way which is compliant with local requirements.

10. Financial implications

- 10.1 There are no additional financial implications arising from the recommendation in this Report. All activity referred to has been, or will be, met from existing budgets.

Finance officer consulted: Nigel Manvell Date consulted: 12/01/23

11. Legal implications

- 11.1 These are covered in the body of the Report.

Lawyer consulted: Victoria Simpson Date consulted: 05/01/2023

12. Equalities implications

- 12.1 There are no equalities implications arising from this Report, which reports on arrangements which have been developed with the need to ensure the Council and its members discharge their responsibilities with appropriate regard for equalities considerations.

13. Sustainability implications

- 13.1 No sustainability implications have been identified

14. Other Implications

- 14.1 No significant other implications have been identified as arising from this Report

Supporting Documentation

1. Appendices

Appendix 1 - Complaints previously reported to this Committee
Appendix 2 – Overview of complaints received in during 2022

2. Background documents

None

Appendix 1

Complaints previously reported to this Committee (at its November 2022 meeting)

Case No	Date	Status of complaint	Comments (incl basis on which complaint has been determined if applicable)	Detail re complaint topic
A/2022	January 2022	Ongoing	<p>A decision was made to refer this complaint for formal investigation. A written report was prepared and circulated. It included a finding of one or more indicative breaches by the investigative officer.</p> <p>The Monitoring Officer decided to refer the complaint for a Standards Panel for determination in December 2022 and a date for that panel is being sought.</p> <p>The relevant subject member has not responded to any communications regarding the complaint.</p>	Complaint regarding conduct on social media and language used when debating with a constituent.
E/2022	February 2022	Ongoing	<p>A decision was made to refer this complaint for formal investigation. A written report was prepared and circulated. It included a finding of one or more indicative breaches by the investigative officer.</p> <p>The Monitoring Officer decided to refer the complaint for a Standards Panel for determination in December 2022 and a date for that panel is being sought.</p> <p>The relevant subject member has not responded to any communications regarding the complaint</p>	Complaint regarding the member's conduct when discussing a key topic on social media.
J/2022	February 2022	Ongoing	<p>A decision was made to refer this complaint for formal investigation. A written report was prepared and circulated. It included a finding of one or more indicative breaches by the investigative officer.</p>	Complaint regarding the member's conduct when discussing a key topic on social media.

			<p>The Monitoring Officer decided to refer the complaint for a Standards Panel for determination in December 2022 and a date for that panel is being sought.</p> <p>The relevant subject member has not responded to any communications regarding the complaint.</p>	
W/2022	October 2022	Ongoing	Monitoring Officer decided that complaint was capable of amounting to a breach of the Code. Informal resolution mooted however lack of response from member has resulted in delay in process.	Complaint alleging that the member's responses on a ward matter had breached the Code.
X/2022	October 2022	Ongoing	Monitoring Officer decided that complaint was capable of amounting to a breach of the Code. Informal resolution mooted however lack of response from member has resulted in delay in process.	Complaint alleging that the member's responses on a ward matter (on same topic as in W/2022) had breached the Code.
Y/2022	October 2022	Determined at preliminary assessment stage	Insufficient evidence was considered to be available to support the complaint that there had been a conflict of interest.	Complaint concerned representations made by a ward Councillor about a resident's planning application. This made substantively the same allegation as in U/2022, purporting to provide additional evidence in support, and was determined on same basis.
Z/2022	October 2022	Ongoing	Remains at preliminary assessment stage and will be referred to in a future report.	Complex complaint regarding a member's activities in relation to a key project in their ward. Remains the subject of preliminary enquiries at the current time.

Appendix 2

Overview of complaints received in between 1st Jan 2022 & 31st Dec 2022 alleging that members have breached the code of conduct

Section one – Volume & Status of Complaints

Table 1 - Number of complaints

Complaints against members made in 2019	Complaints against members made in 2020	Complaints against members made in 2021	Complaints against members made in 2022
13	33	36	26

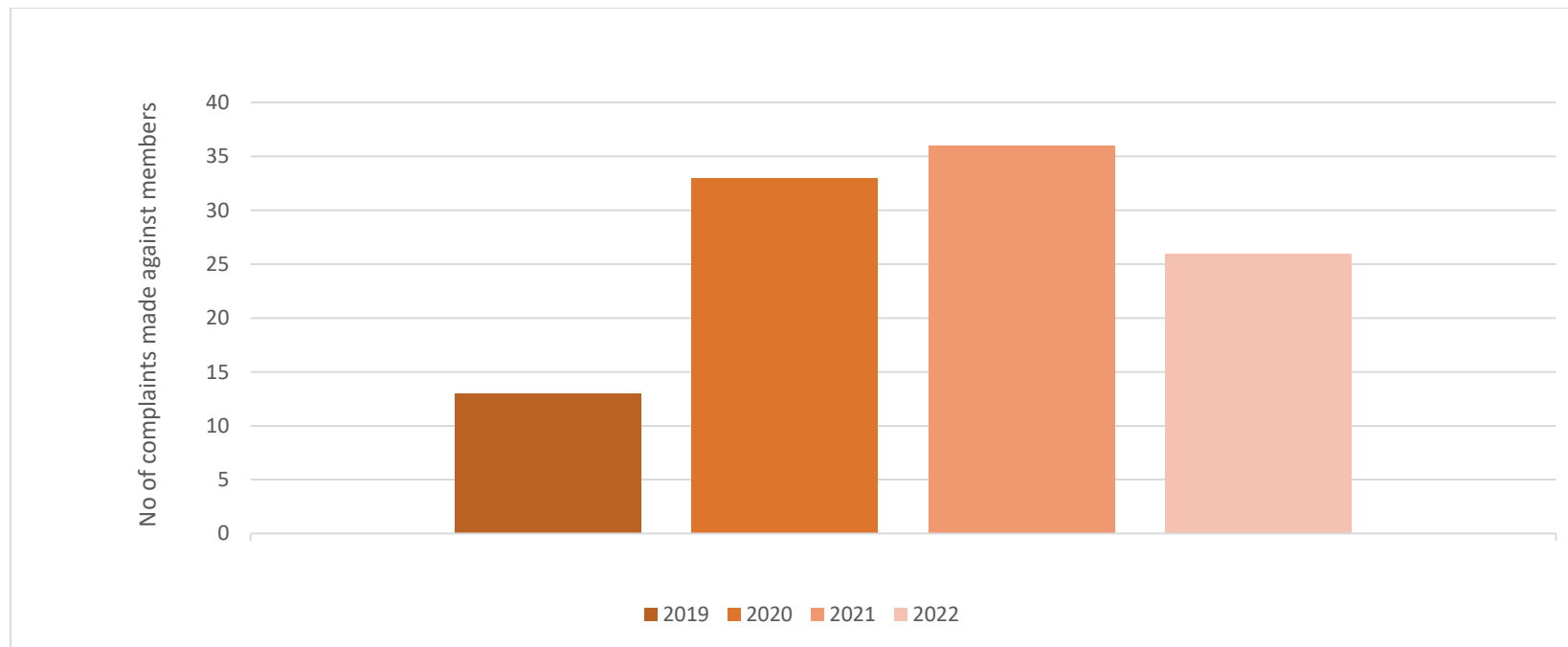
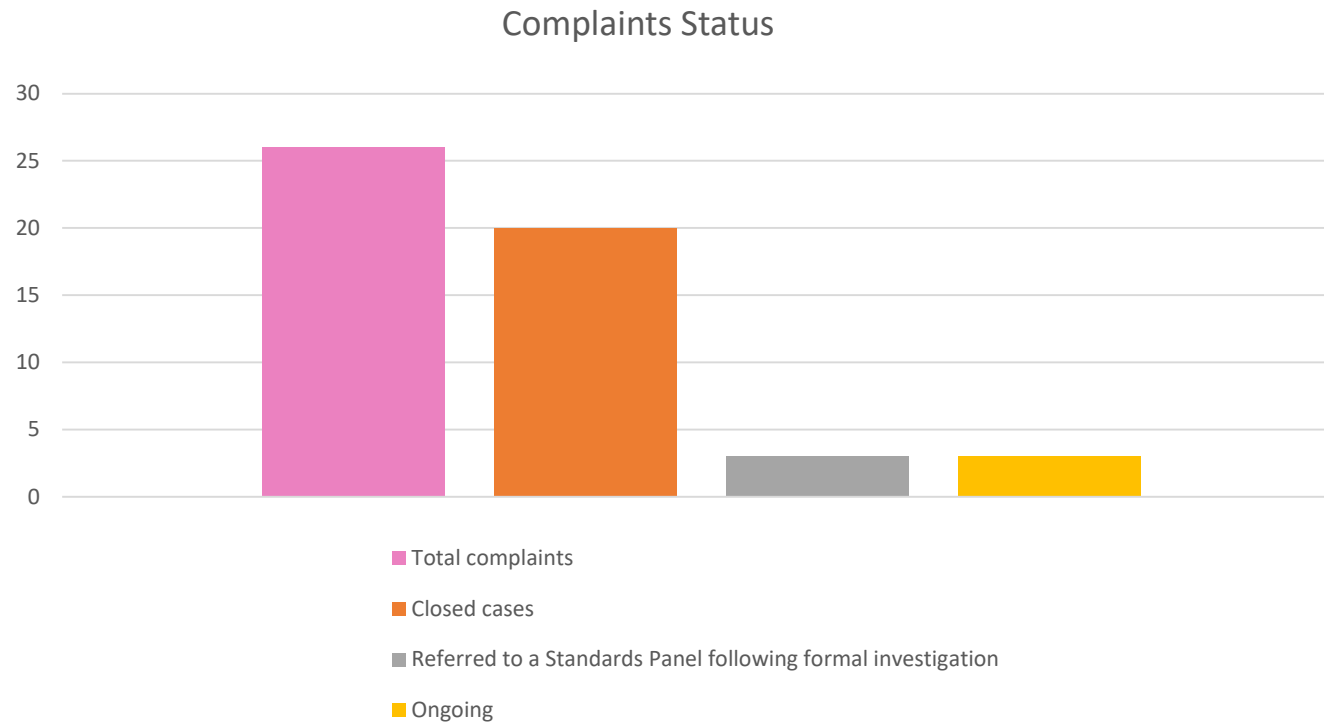


Table 1.1 – Status of complaints received in during 2022 as at 1/1/23



Comments:

- 20 complaints have been determined (NB this is in addition to the 11 complaints which were outstanding at end of 2021)
- 3 complaints have been formally investigated and referred to a Panel for it to determine
- 3 complaints are ongoing (ie are awaiting further progression at preliminary assessment stage)

Table 1.2 – number of complaints which remained outstanding at the end of year of receipt

2022	6 (3 of which have been referred to a Standards Panel)
2021	11

Section two – Data re subject members (ie the members who were the subject of complaints)

Table 2.1 – Number of members complained about

	Total complaints	Total number of councillors complained about	Number of councillors who received more than 1 complaint during 2022
2022	26	11	7

Table 2.2 – Complaints received in 2022 organised according to party Group

Complaints against Green Group members	10
Complaints against Labour Group members	1
Complaints against Conservative Group members	14
Complaints against Independent Group members	1

Complaints made against members - organised according to party Group

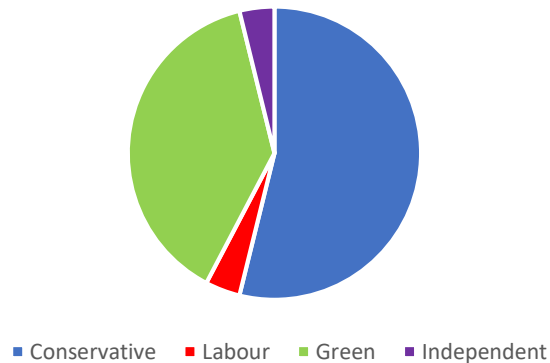


Table 2.3 - Complainant data¹

	Complaints made by members about other members	Complaints made by residents or other stakeholders*
2022	3	23
2021	5	31

¹ NB complaints made about members by officers are normally dealt with under the Officer/ Member Protocol

Section three – Complaint processing and outcomes

Table 3.1 - Complaints determined at preliminary assessment stage

	Total number of complaints determined within relevant year	Number of complaints determined at preliminary assessment stage because alleged conduct did not meet the tests at paras 5.5 a) or b) of the Procedure ²	Number of complaints deemed capable of indicating a breach, but nonetheless resolved informally, pursuant to paras 5.6 to 5.8 of the Procedure .
2022	20	18	2

Table 3.2 - Complaints referred for formal investigation during 2022

	Total complaints referred for formal investigation	Outcome
2022	3	All three complaints have been referred to a Standards Panel for determination by the Monitoring Officer. At time of writing a date for a Panel is being sought
2021	2	Both complaints were resolved in the public interest by the Monitoring Officer, without a Standards Panel being convened.

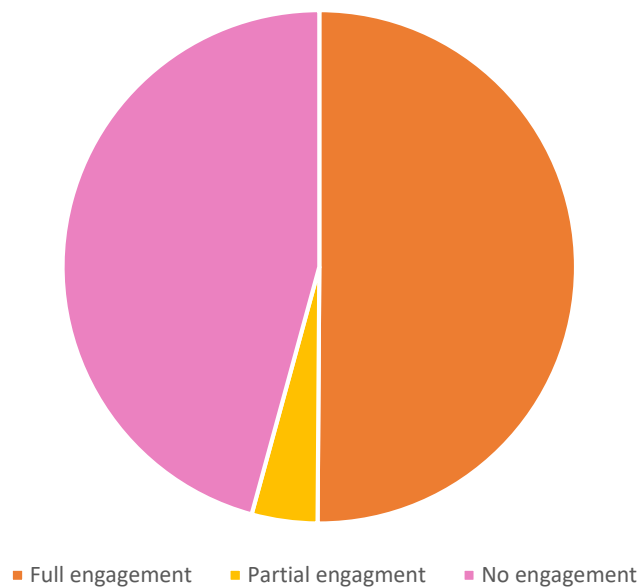
² NB: The tests for deciding not to progress complaints to formal assessment were updated in July 2021, making it difficult to generate comparative data

Table 3.3 – Councillor failures to engage in relation to complaints made in 2022

Number of complaints in which the subject member refused to engage at any point in the process prior to either the complaint's determination, or its referral to a Panel for determination (whichever is appropriate)	11
Number of complaints where members refused to engage at some point in process	1

Note: this data does not take into account two complaints involving an elected member who (while otherwise engaging with the process) has yet to respond to proposals for informal resolution of their complaint.

Overall engagement from councillors who were the subject of a complaint



Section 4 - Complaint topics/ content

Table 4.1 – Complaint topics

Code	Description of type of conduct complained about	2022	2021
A	Complaints about members' discharge of their ward responsibilities (including by constituents)	6	14
B	Complaints about comments or conduct either at council meetings, or at meetings at which members are representing BHCC	8	3
C	Complaints about conduct relating to council business or other members made outside council meetings, including on social media	9	16
D	Complaints about a member's conduct or position on an issue which is not council business or a ward matter, including conduct or a statement reported in the press or made on social media	3	3

Section 5: comparator data showing outsourced costs to the Council

	Formal investigations outsourced	Cost
2021	2	2560.04 (incl VAT) plus 2337.50 (incl VAT)
2022	none	none

Note: The three formal investigations carried out during 2022 were not outsourced, but were carried out internally. For the internally conducted matters, this work is carried out by a number of different internal staff such as the Monitoring Officer, Deputy Monitoring Officer, Senior Lawyer and Legal Support Officer – who carry out other duties alongside this work. Therefore the costs of the internal officer resource spent on investigations is not quantified.

The figures provided for outsourced investigations provide only a very rough ballpark of possible costs where internal investigation is carried out. This is because the issues vary in terms of complexity.

In the two cases where the investigation was outsourced, the above figure does not represent the actual resource involved in progressing the complaints through the process, instructing and supporting the investigation, considering informal resolution and convening and supporting a Panel meeting and its decision-making.

Section 6: Benchmarking against other Councils

Note: Few authorities publish member complaints data in a detailed way. Those which do provide public data appear to attract considerably fewer complaints – and referrals for formal investigation - than BHCC over similar periods.

Council		Published documents
Bristol	The annual report indicated that a total of five complaints was received in during the year, none of which was formally investigated. (One was not about a current member and three were determined by a decision to take no further action, while the fifth was resolved informally).	(Public Pack)Agenda Document for Values and Ethics Sub-Committee, 27/06/2022 14:00 (bristol.gov.uk)
Southampton	No substantive Member complaints requiring investigation by the Monitoring Officer over the preceding year. One preliminary investigation, which was determined not to require a full investigation under the Code.	(Public Pack)Agenda Document for Governance Committee, 14/11/2022 17:00 (southampton.gov.uk) (item 13)
East Sussex	Between 1 April 2021 and 31 March 2022, three complaints were received against Members of East Sussex County Council. Note: They received no complaints at all in either of the two preceding years.	Agenda: Standards Committee, 19/04/2022
West Sussex	Between 1 April 2021 and 31 March 2022, four complaints were received against Members of West County Council. None were progressed beyond initial assessment stage, the main reason being that the behaviour complained of was 'clearly not connected with the member acting or appearing to act on Council business'.	(Public Pack)Agenda Document for Standards Committee, 27/06/2022 14:15 (moderngov.co.uk)
Surrey	While Surrey's Audit and Governance Committee has delegated authority for the members' code of conduct (and receives annual reports on the related topic of Council complaints), no published member complaints data has been identified.	(Public Pack)Agenda Document for Audit and Governance Committee, 13/06/2022 10:00 (surreycc.gov.uk)