Brighton & Hove City Council

Audit, Standards & General Purposes Committee

Date:	**24 June 2025**
Time:	**4.00pm**
Venue	**Council Chamber, Hove Town Hall**
Members:	**Councillors:**West (Chair), Loughran (Deputy Chair), Atkinson, Baghoth, Guilmant, Helliwell, Hewitt and Meadows **Co-optees** David Bradly (Independent Person), Barbara Beardwell (Independent Person) and David Gill (Independent Person)
Contact:	**Grace Leonard** 01273 29 1065 grace.leonard@brighton-hove.gov.uk

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AGENDA

PART ONE **Page**

1 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.

2 MINUTES **7 - 10**

To consider the minutes of the meeting held on 22 April 2025.

3 CHAIR'S COMMUNICATIONS

4 CALL OVER

(a) Items 7-15 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.

5 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 June 2025

(c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 18 June 2025

6 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.

7 EXTERNAL AUDIT PLAN 2024/25 — 11 - 64

Contact Officer: *Jane Strudwick* *Tel: 01273 291255*
Ward Affected: *All Wards*

8 INFORMING THE EXTERNAL AUDIT RISK ASSESSMENT 2024/25 — 65 - 82

Ward Affected: *All Wards*

9 INTERNAL AUDIT ANNUAL REPORT AND OPINION 2024-25 — 83 - 122

Contact Officer: *Carolyn Sheehan*
Ward Affected: *All Wards*

10 COUNTER FRAUD ANNUAL REPORT 2024-25 — 123 - 136

Contact Officer: *Carolyn Sheehan*
Ward Affected: *All Wards*

11 NEW ENGLAND HOUSE CLOSURE: RESPONSE TO INTERNAL AUDIT **137 - 162**

Contact Officer: Max Woodford Tel: 01273 291666
Ward Affected: All Wards

12 FORMAL APPROVAL OF THE ANNUAL GOVERNANCE STATEMENT 2024-2025 **163 - 208**

Contact Officer: Rima Desai Tel: 01273 291268
Ward Affected: All Wards

13 STANDARDS UPDATE **209 - 216**

Contact Officer: Victoria Simpson Tel: 01273 294687
Ward Affected: All Wards

14 ITEMS REFERRED FOR COUNCIL

(1) To consider items to be submitted to a relevant Committee for information.

(2) To consider items to be submitted to full Council 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

15 ITEMS FOR THE NEXT MEETING

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The closing date for receipt of public questions and deputations for the next meeting is 12 noon on the fourth working day before the meeting.

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FURTHER INFORMATION
For further details and general enquiries about this meeting contact Grace Leonard, (01273 29 1065, email grace.leonard@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

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Date of Publication - Monday, 16 June 2025

BRIGHTON & HOVE CITY COUNCIL

AUDIT, STANDARDS & GENERAL PURPOSES COMMITTEE

4.00pm 22 APRIL 2025

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillor West (Chair) Guilmant (Group Spokesperson), Baghoth, Gauge, Mackey and Meadows

PART ONE

42 PROCEDURAL BUSINESS

42a Declarations of substitutes

42.1 There were none.

42b Declarations of interests

42.2 There were none.

42c Exclusion of the press and public

42.3 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.

42.4 **RESOLVED** - That the public not be excluded from the meeting.

43 MINUTES

43.1 **RESOLVED** – That the minutes of the previous meeting held on 28 January 2025 be approved and signed as the correct record.

44 CHAIR'S COMMUNICATIONS

44.1 The Chair provided the following communications:

I'd like to welcome everyone here to our last committee meeting of the municipal year. In addition to our regular Internal Audit and Counter Fraud and our Standards Update, we have the annual audit plan to consider and approve, and also a new disciplinary

policy and an updated whistleblower policy to approve. So not just matters to note today, although those are always important for us to consider.

I was going to say welcome to John Hooton, who I thought would be here. But I don't see John so that's not needed.

As members will recall we received the External Auditors annual report on the council's value for money at our January meeting. I'm keen that we consider progress with implementation of the council's budget and VFM work at our June meeting. John has agreed this would be good timing as our external auditors will be carrying out their VFM work this May, when they look at financial sustainability, and officers will be able to feed into this and auditors should be able to report back in June with some interim findings and our meeting isn't until the back end of June. So hopefully that will be possible and I think that it will be useful to hear how progress is going. I'm pleased to say Councillor Taylor will be able to join us at that meeting to help support our discussion of this and answer any questions that we may have about how that's going and other matters that are covered by his cabinet agreement. So, I hope members will be agreeable to us including that as an additional item at the next meeting and I think formally we actually have to include that as something suggested at item 54 of on our today.

I'm sure many members will have contributed to the LGA peer review. Councillor Guilmant has shared with me some very well-made points that he raised with the review regarding the presentation of information in committee agendas and committee member development. Both of which I agree need to be strengthened and we're planning to meet with officers to discuss these suggestions along with the LGA review feedback and we've had a chance to look at that. But if other members have got any relevant points to our committee work that they have raised with the LGA that they wish to feed in, then we can consider these in the mix as well.

45 CALL OVER

45.1 The Democratic Services Officer called the agenda items to the committee. All items were reserved for discussion.

46 PUBLIC INVOLVEMENT

46.1 No public representations were received.

47 MEMBER INVOLVEMENT

47.1 No member representations were received.

48 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 3 PROGRESS REPORT 2024-25

48.1 The committee considered the report Internal Audit and Counter Fraud Quarter 3 Progress Report to provide Members with an update on all internal audit and counter fraud activity, including a summary of all key audit findings. The report also includes an update on the performance of the Internal Audit Service during the period.

48.2 Councillors Gauge, Guilmant, Meadows, and West asked questions and contributed to the debate of the report.

48.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee note the report.

49 INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2025-26

49.1 The committee considered the report of the Internal Audit Strategy and Annual Internal Audit Plan for 2025/26.

49.2 Councillors Gauge, Guilmant, Mackey, and West asked questions and contributed to the debate of the report.

49.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee approve the Internal Audit Strategy and Internal Audit Plan, and notes the Internal Audit Charter.

50 NEW DISCIPLINARY POLICY AND PROCEDURE

50.1 The committee considered the new Disciplinary Policy Procedure following a recent review.

50.2 Councillors Baghoth, Gauge, Guilmant, Meadows, and West asked questions and contributed to the debate of the report.

50.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee:

1) Approve the new policy and procedure and for it to be implemented on or after 1 May 2025.

2) Authorise the Interim Director People and Innovation to take the necessary steps to implement and publish the new policy and procedure including determining any transition arrangements.

51 UPDATED WHISTLEBLOWING POLICY

51.1 The committee considered the updated Whistleblowing Policy report to set out the process and data relating to whistleblowing complaints for information.

51.2 Councillors Gauge, Guilmant, Mackey, and West asked questions and contributed to the debate of the report.

51.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee:

1) Note the information in this report and agrees to receive an annual report on the Whistleblowing Policy, process and themes.

2) Approves the updated Whistleblowing Policy as detailed in Appendix 1.

3) Authorise the Council's Monitoring Officer to publish the updated Whistleblowing Policy on the Council's intranet and website, and to make any changes they consider to be necessary or incidental to ensure consistency with the Council's other complaints-related arrangements.

52 STANDARDS UPDATE

52.1 The committee considered the Standards Update report, providing Members an update on complaints alleging that Members have breached the Council's Code of Conduct for Members and on related matters.

52.2 Councillors Guilmant, Meadows, and West asked questions and contributed to the debate of the report.

52.3 **RESOLVED –**

That the Audit, Standards, and General Purposes Committee note the report.

53 ITEMS REFERRED FOR COUNCIL

53.1 No items were referred to Full Council for information.

54 ITEMS FOR THE NEXT MEETING

54.1 Further information was requested on the budget implementation of VFM.

The meeting concluded at 6.04pm

Signed Chair

Dated this day of

Brighton & Hove City Council

Audit, Standards & General Purposes Committee

Agenda Item 7

Subject: **External Audit Plan 2024/25**

Date of meeting: **24 June 2025**

Report of: **External Auditor, Grant Thornton UK LLP**

Contact Officer: **Name: John Hooton**
Email: john.hooton@brighton-hove.gov.uk

Ward(s) affected: **All**

For general release

1. Purpose of the report and policy context

1.1 Grant Thornton's audit plan sets out an overview of the planning scope and timing of the council's statutory external audit for the financial year ending 31 March 2025. The audit plan ("BHCC External Audit Plan 2024-25") is attached at Appendix 1. The audit plan sets out, for example, the significant risks identified ahead of the main audit work (pages 13-18), levels of materiality for the financial statements (page 20-22) and the proposed audit fees for 2024/25 (page 37)

1.2 The external auditors are responsible for forming and expressing an opinion on the council's financial statements and for considering whether there are sufficient arrangements in place at the council for securing economy, efficiency, and effectiveness in its use of resources (Value for Money arrangements).

2. Recommendations

2.1 That Committee agrees to note the external audit plan document, having considered whether to notify the external auditor if there are any additional matters that it considers may also impact on the planned audit work and context for the financial year ending 31 March 2025.

3. Context and background information

3.1 External audit is an annual statutory requirement for local authorities. Appendix 1 sets out the background and context of the external auditors audit plan for 2024/25 in detail.

4. Analysis and consideration of alternative options

4.1 Along with every other council in England, the council elected to join the sector-wide procurement of external audit and is therefore bound by the terms negotiated by Public Sector Audit Appointments Ltd (PSAA). Under this arrangement, Grant Thornton are the appointed external auditor for

Brighton & Hove City Council. The authority has recourse to PSAA, who perform a contract monitoring role, if it is dissatisfied with the performance of the external auditor in the delivery of the contract.

5. Community engagement and consultation

5.1 Not applicable.

6. Financial implications

6.1 The proposed audit fee (subject to the normal review and moderation by Public Sector Audit Appointments, PSAA) is £450,108, an increase in the scale fee of 3.8% from 2023/24 as set out on page 37 of Appendix 1, and in accordance with the sector-wide re-procurement of external audit by Public Sector Audit Appointments Ltd, a public sector body set up by the Local Government Association to undertake the procurement on behalf of local government. This has been funded from the General Fund revenue budget and creates a pressure of £0.283m within 2024/25, resulting primarily from significant increase in audit fees from 2023/24 as previously reported to committee. This increase has been built permanently into the general fund revenue budget from 2025/26 onwards.

6.2 The current contract runs for 5 years.

Name of finance officer consulted: Haley Woollard
Date consulted: 06/06/25

7. Legal implications

7.1 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 25 of resources (securing value for money). This committee is the appropriate body for the consideration of this report by elected members of the council.

Name of lawyer consulted: Victoria Simpson Date consulted 10/06/2025

8. Risk implications

8.1 A significant backlog within local government external audit prompted the implementation of statutory backstop dates for published accounts, with the intention of clearing of the audit backlog. The statutory backstop for the publication of 2024/25 accounts is 27 February 2026. A delay in the external audit process and/or any inability for the external auditors to obtain sufficient evidence that the council's accounts represent a true and fair view by the backstop date could impact on the audit opinion of the 2024/25 accounts.

9. Equalities implications

9.1 There are none identified.

10. Sustainability implications

10.1 There are none identified.

11. Conclusion

11.1 This report and appendix 1 outlines the external auditor's plan for auditing the authority's 2024/25 accounts. The report is for noting unless the Committee has additional issues to raise (as set out under section 2 Recommendations).

Supporting Documentation

1. Appendices

1. BHCC External Audit Plan 2024-25

Grant Thornton

The Audit Plan for Brighton and Hove City Council

Year ending 31 March 2025

22 April 2025

Contents

Section	Page
Key developments impacting our audit approach	3
Introduction and headlines	10
Identified risks	13
Our approach to materiality	20
Progress against prior year recommendations	23
IT audit strategy	25
Interim audit work	27
Value for money arrangements	29
Logistics	33
Fees and related matters	36
Independence considerations	38
Communication of audit matters with those charged with governance	41
Delivering audit quality	43
Appendices	45

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01 Key developments impacting our audit approach

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Local Government Reorganisation

External factors

English Devolution White Paper

On 16 December 2024 , the Secretary of State for Housing, Communities and Local Government, Angela Rayner, Presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving the change the public expect and deserve. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the Authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government plans to facilitate a programme of local government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation;
- And re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Devolution and Mayoral Authority

On 5 February 2025, the government accepted Sussex onto the priority devolution programme following an Expression of Interest from Brighton and Hove City Council along with East and West Sussex County Council to join the government's devolution programme following their respective cabinet meetings on 9 January 2025.

The Authority is currently responding to the Government Consultation on being part of the Devolution Priority Programme.

Local Government Reorganisation

Jim McMahon, Minister for Local Government and English Devolution, wrote to two-tier authorities in February 2025 to set out a timetable for reorganisation proposals to be submitted. At the 20 March 2025 Cabinet meeting, councillors agreed on an interim plan, outlining the proposed way forward for Brighton & Hove City Council in Sussex. The plan was submitted to the government on 21 March 2025. A Full Business Case will need to be submitted to Central Government by 26 September 2025 and a decision is expected to be made by Spring 2026.

We will be meeting regularly with senior management to discuss these matters and to fully understand the proposals.

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Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market.

We have also signed 83% of our 2023/24 Audits, by the backstop date with the residual audits being unable to signed due to external factors. We will work with the Ministry of Housing, Communities and Local Government (MHCLG), with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

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Key developments impacting our audit approach

National Position

Local governments face many challenges, the pandemic along with the cost of living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

Climate change: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand and it's difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to get planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

Funding : Local governments face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

Digital Transformation : The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. The clearest evidence of this is that councils' service spending is increasingly focused on adult and children's social care, SEND and homelessness. Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

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Key developments impacting our audit approach

Local Context	Our Response
• In the 2024/25 year at Month 9 in the year-to-date the Council is reporting a £3.3m forecast outturn overspend, including a risk to total under-delivery of £4.7m out of a large and challenging total savings and efficiency programme of £23.6m for the year. • The General Fund Revenue Budget 2025/26 together with the Medium Term Financial Strategy (MTFS) for the 4 year period 2025/26 to 2028/29. This identifies a shortfall of over £16m for the 2025/26 year and of almost £61m over the period of the MTFS. The Council has set out savings proposals to close that shortfall in the 2025/26 year and plans for future transformation/efficiency savings proposals to close some of the gap over the MTFS period while also acknowledging that non-statutory council services may need to be reduced. This demonstrates the ongoing scale of the financial challenge still facing the Council. • Further to this, the council will be involved in discussions after the publishing of the English Devolution White Paper, considering the likely impact on the Council.	• A risk factor has been scoped into our VFM work in relation to the financial sustainability of the council, alongside risk factors under the 2 other core VFM criteria. See pages 29-23 for further details of our risk assessment in this area.
New accounting standards and reporting developments • Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on the next slide. • The FRC issued revisions to ISA (UK) 600 'Audits of group financial statements (including the work of component auditors)'. The revised standard includes new and revised requirements that better aligns the standard with recently revised standards such as ISQM 1, ISA 220 (Revised) and ISA 315 (Revised 2019). The new and revised requirements strengthen the auditor's responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditor, and documentation. The changes are to keep the standard fit for purpose in a wide range of circumstances and the developing environment.	• As part of our planning procedures, we will be completing a detailed review of the authority's implementation of IFRS 16. This will be followed by interim testing where we plan to begin testing the opening balances for this. More information can be found on the following slides. • Each year we review the Council's relationships with other entities, joint ventures and subsidiaries to consider whether the Council's judgement that group accounts are not required (due to being immaterial) continues to be reasonable. We therefore anticipate that the revision to ISA (UK) 600 will not significantly impact the accounts or audit.

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Key developments impacting our audit approach

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Interim s151 Chief Finance Officer.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. We have agreed that we will carry out our risk assessment work remotely where this requires less extensive contact with your finance team, but during the fieldwork we would prefer to spend regular days working on site with your finance team, and we will discuss this to reach an agreement on the regularity.
- We would like to offer a formal meeting with the Chief Executive twice a year, and with Interim s151 Chief Finance Officer quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to offer to meet informally with the Chair of your Audit, Standards and General Purposes Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Audit, Standards and General Purposes Committee with sector updates providing our insight on issues from a range of sources via our Audit, Standards and General Purposes Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.
- The statutory deadline for submission of audited financial statements for 2024/25 is 31 March 2026, but we are aiming to complete our audit by the end of September 2025 and to sign the auditor's report before the end of December 2025. The deadlines are coming forwards in future years to 31 January 2027 for the 2025/26 accounts and then to 30 November for all subsequent years. These deadlines will be a challenge for both the audit team and the finance team – We are planning to have audit team resources available from mid-June to start the audit earlier to support the earlier completion, and we are in discussion with your finance team on whether there are audit working papers or sample testing populations which could be provided earlier to allow for work to start in the second half of June where in previous years the audit started from the 1 July. The Council has not formally agreed to a June start for the audit. This could mean that work could overrun the end of September and it will be challenging for the firm to resource the audit beyond this date. Our view is that an earlier start will be necessary to achieve a November completion date in future years.

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IFRS 16 Leases

Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Introduction

IFRS 16 updates the definition of a lease to:

- "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration." In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

- leases of low value assets (optional for LG)
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

Planning enquiries

As part of our planning risk assessment procedures, we are discussing the authorities work and approach around IFRS 16. During our interim audit testing we will aim to complete as much work as possible surrounding the changes to financial reporting for IFRS 16 as well as begin sample testing for the opening balances.

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02 Introduction and Headlines

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Introduction and headlines

Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of Brighton and Hove City Council ('the Council') for those charged with governance.

Respective responsibilities

- The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit, Standards and General Purposes Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit, Standards and General Purposes Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

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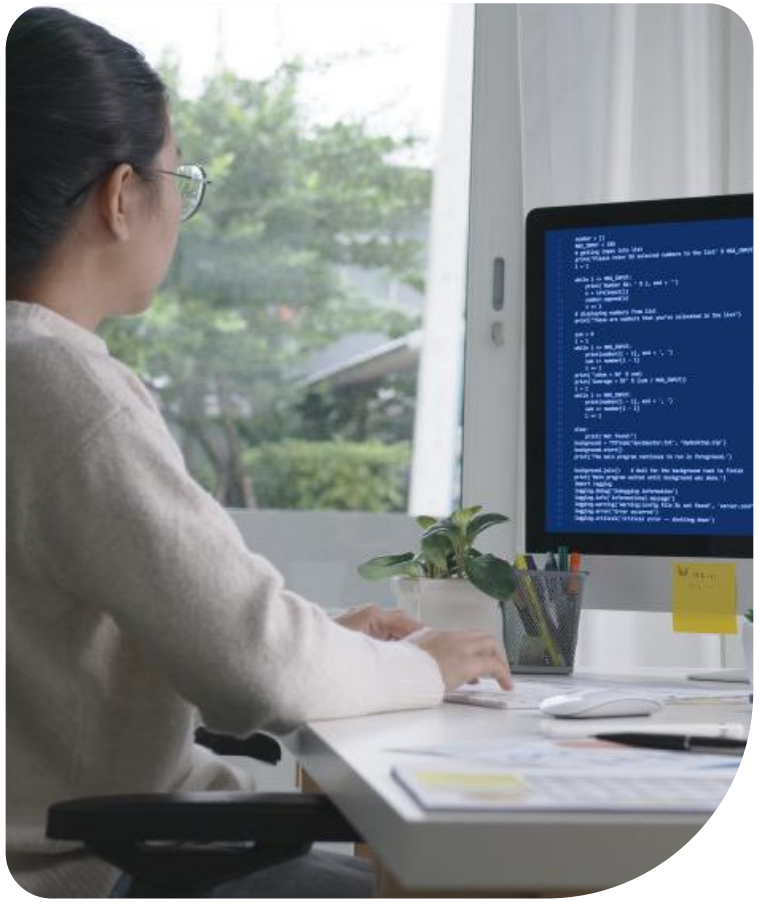
Introduction and headlines (continued)



Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of Land and Buildings
- Valuation of the pension fund net asset/liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £19.5m (PY £13.6m) for the Council, which equates to 1.9% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors, this has not identified any additional risks. Clearly trivial has been set at £0.98m (PY £0.68m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Financial Sustainability
- Governance
- Improving Economy, Efficiency and Effectiveness

See information on page 30-32 for further details of this risk .

Audit logistics

Our planning and interim visit have taken place in March 2025 and our final visit will take place in June to September 2025 (see pate 8 for further discussion around the challenges of the statutory deadline and the audit fieldwork dates). Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £450,108, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input. This fee does not include costs payable by Grant Thornton to an external valuation expert that are rechargeable to the Council. The fees for IFRS16 implementation work will also be calculated following completion of the work and will be subject to PSAA approval.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

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03 Identified risks

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Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: • evaluate the design and implementation effectiveness of management relevant controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

28

"In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK)." (ISA (UK) 315).

In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK) 550).

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

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Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	We have considered all revenue streams of the Council and we have rebutted this significant risk for all revenue streams. For revenue streams that are derived from Council Tax, Business Rates and Grants, we have rebutted this risk on the basis that they are income streams primarily derived from grants or formula based income from central government and tax payers and that opportunities to manipulate the recognition of these income streams is very limited. For other revenue streams, we have determined from our experience as auditor from the previous years, and through our documentation of your business processes around revenue recognition that the risk of fraud arising from recognition could be rebutted, because: - there is little incentive to manipulate revenue recognition; and - opportunities to manipulate revenue recognition are very limited.	Where the risk has been rebutted, we do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition. We were satisfied that this does not present a significant risk of material misstatement or fraud in the 2024/25 accounts as: - The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be in line with our expectations for an Authority of this size and complexity of operations; - We have not found significant issues, material errors or fraud in expenditure recognition in the prior years audits; - Our view is that, similar to revenues, there is little incentive to manipulate expenditure recognition. Given the Council is facing financial pressures over multiple years, the risk of fraudulent expenditure recognition is not relevant or significant. Limited financial resources and the long-term nature of the financial challenges make it highly unlikely for there to be an incentive or opportunity to fraudulently recognise expenditure in any one particular year. Furthermore, we considered that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which have been considered as part of the standard audit tests and our testing in relation to the significant risk of management override of controls as set out on page 14.	Where we do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.

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Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of land and buildings (including council dwellings) and investment properties	The authority revalue its land and buildings on a rolling five-yearly to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value at the financial statements date.	The valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as significant risk requiring special audit consideration. We have further focussed our risk assessment to the valuation of land and buildings with large and/or unusual changes to their valuation approach. In order to identify such assets in the Council's valuation programme, we will make direct inquiries with the valuer to understand the source data that underpins their valuations , corroborated the source and reasonableness of the external data they rely upon for their key assumptions, and evaluate the completeness and accuracy of source data provided directly from the Council. We will then complete analytical procedures on the valuation reports, with reference to external market data, to identify those assets at greater risk of material misstatement. For assets which are not revalued by the external valuer in year, work is carried out with the aim of ensuring the carrying value is materially different from the current value or the fair value (for investment properties and surplus assets) at the financial statements date.	We will: • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • Evaluate the competence, capabilities and objectivity of the valuation expert; • Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met and discuss this basis where there are any departures from the Code; • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • Assess how management have challenged the valuations produced by the professional valuer to assure themselves that these represent the materially correct current value; • Test revaluations made during the year to see if they are input correctly into the Authority's asset register; • Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and • Engage an auditor's expert professional valuer to supplement our own auditor knowledge and expertise with qualified valuer expert insight and challenge into the valuation process, methods and assumptions used.

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Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of the pension fund net asset/liability - assumptions applied by the professional actuary in their calculation	The Authority's pension fund net asset/liability, as reflected in its balance sheet as the net liability on defined pension scheme, represents a significant estimate in the financial statements.	The pension fund net asset/liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net asset/liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability. We have concluded that there is not a significant risk of material misstatement due to the source data used by the actuary in their calculation (we would reconsider this if it becomes apparent that there significant special events relating to the source data (such as bulk transfers, redundancies or other significant movements of staff) which would need to be given special consideration during the audit. Despite not being considered a significant risk we still carry out testing and consideration of the source data to obtain sufficient and appropriate audit evidence that there is no material misstatement.	We will: • Update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • Assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtain assurances from the auditor of East Sussex Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

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Other risks identified

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Equal Pay Claims	The council has received around 1,600 equal pay claims citing a number of areas of potential gender pay inequality. The council has a job evaluation scheme against which all jobs are evaluated and keeps under review its pay and allowances structure. The council considers that the claims are defensible and has commissioned external legal advice to undertake the detailed analysis and advise the council on potential defences or any potential risks they may pose. This process is likely to take at least two years. The council does not therefore currently have any reliable data upon which to make any financial assessment or judgement for inclusion in the statement of accounts, and therefore has disclosed this issue as a contingent liability.	We will: • Update our knowledge of the current status of the issue; • Discuss the issue further with management, and obtain any further evidence that we need in order to conclude on whether it is reasonable to disclose this as a contingent liability as opposed to a IAS37 provision.
Going Concern	The Council has three key financial risks that if they materialised could have a significant impact on the Council's financial sustainability in the short to medium term, and could require the Council to issue a s114 Notice. These are the budget gap for 2025/26 and the risk that sufficient savings cannot be found to meet that gap, and the risk of a successful equal pay claim (having recently received 1,600 equal pay claims). The Council's reserves remain low at £8.2m as of 31 March 2024, general fund reserves are considered by the Council to be at a minimum sustainable level and are not sufficient to be able to mitigate any overspends, lack of delivery of planned savings and the potential materialisation of these key risks. The Council's position is highly challenging and it could require further consideration of the feasibility of provision of non-statutory services. Although we don't consider there to be a material uncertainty around going concern for the Council, we also do not consider the risk to be remote.	We will: • Review and consider the robustness of the Council's own assessment and reporting on the sufficiency of reserves; • Carry out review and challenge of the key assumptions in the Council's budget, medium term financial plan and cashflow forecasts; and • Update our understanding of all key emerging financial risks for the Council.
Large panel systems – provision and valuation of assets	As set out in our Audit Findings Report 2023/24 several large blocks of council dwellings containing large panel systems, were deemed non-compliant with Health & Safety standards. As a result, the Council's professional valuation expert amended their valuation of these blocks to Nil and this impairment was adjusted in the Council's financial statements for 2023/24. There is a potential risk that: - The council should make a provision for an estimate of the costs to rebuild/repair the blocks and any other costs associated with this; - The valuation of the blocks/other assets under construction associated with the blocks and repairs could be misstated.	We will: • Update our knowledge of the Council's plans and current status, the Council's legal obligations and the Council's estimates of costs; • Challenge key assumptions in these estimates; and • Challenge the Council as to whether there is a current legal obligations/liability as a result of past events, and whether the this would now meet the criteria for recognition as a provision.

"The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated." (ISA (UK) 315)

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Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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04 Our approach to materiality

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
01	**Determination** We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council , including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements	• We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
02	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements	• An item may be considered to be material by nature when it relates to instances where greater precision is required
03	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process	• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	**Matters we will report to the Those Charged with Governance** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Standards and General Purposes Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	• We report to the Audit, Standards and General Purposes Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.97m (PY £0.68m). • If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Standards and General Purposes Committee to assist it in fulfilling its governance responsibilities.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

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Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Materiality for the Council Financial Statements	£19,500,000	In determining materiality, we have considered the following key factors: - Debt arrangements: the authority has a significant level of debt, but the majority of this is with PWLB and the council follows the CIPFA Prudential Code with regard to managing the levels of debt. We are not aware of significant debt covenants or other factors that would indicate an enhanced risk. - Business environment: the Council operates in a generally stable, regulated environment, although in recent years government policies have reduced the funding available and this has increased the financial pressures on the authority. - Other sensitivities – There has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced.
Performance materiality	14,625,000	We determine a lower performance materiality as an amount less than materiality for the financial statements as a whole (i.e., planning materiality) to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In determining performance materiality the main considerations are our view and understanding of the Council control environment, whether there have been significant levels of errors in prior year audits. There is not a history of significant deficiencies or a high number of deficiencies in the control environment, and in prior years there have not been a large number or significant misstatements identified. Our performance materiality is therefore calculated at 75% of our headline materiality.
Materiality for specific transactions, balances or disclosures - Officers' Remuneration Disclosures	£100,000	In determining materiality, we have considered the following key factors: - The expectations of users of the financial statements and the audit requirements/quality standards.

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05 Progress against prior year audit recommendations

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Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Council's financial statements, which resulted in 1 recommendation being reported in our 2023/24 Audit Findings Report. We are pleased to report that management have implemented 1 of our recommendations, the other is currently being addressed and,we will follow this up to review/corroborate actions in our fieldwork audit and we will report on this in our Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	Reporting of Kingsway to the Sea Capital Project We identified some weaknesses in management's accounting for, and reporting of, the Kingsway to the Sea capital programme. We noted several classification issues related to this programme. Firstly, capital expenditure was recorded to the Infrastructure asset class despite the assets not being operational. Whilst not material, these were still significant sums of money, thus creating a risk of material misclassification in future periods. Further, we identified one instance where an invoice for KttS works received in 2023/24 was not accrued for in the correct period. Multiple instances of misstatement under the same project has driven our control recommendation. We recommended that management review the process in which the reporting of events/transactions for significant capital programmes is carried out. We would recommend management corroborate the classification of all capital programme spend (where above a reasonable threshold) to asset class definitions as per the Code. We would also recommend management perform a review of all invoices received after year-end (up to a reasonable date, and above a reasonable threshold) to assure themselves that all significant accruals have been captured in the accounts.	Management update: This recommendation is a work in progress on the 2024/25 accounts. Audit comment: We will revisit this recommendation for an update at audit fieldwork.

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06 IT audit strategy

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IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Civica	Financial reporting	• ITGC assessment (design and implementation effectiveness)
NEC (formerly Northgate)	Council Tax, Business Rates, Benefits	• ITGC assessment (design and implementation effectiveness)
iTrent	Payroll	• ITGC assessment (design and implementation effectiveness)
Carefirst	Social Care Services	• ITGC assessment (design and implementation effectiveness)

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07 Interim audit work

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Interim Audit Work

Details of work to be conducted at interim:

Description	Work commentary
IFRS 16	We will: • Obtain an understanding of the process used to put together the IFRS 16 Disclosures. • Request the data for both Opening Balances and select a sample of these for testing where made available (note this work will be carried out during April where the Council provide these working papers which we have requested in advance of the planning visit). • Agree these sample items back to third party evidences. At the date of issuing this audit plan, this work is being completed and will be concluded in April. This work will be subject to senior engagement review. We will report any significant findings to management and those charged with governance in either a later Progress Report or in our Audit Findings Report at completion as appropriate.
Other Service Expenditure and Fees, Charges and Other Income Sampling	We will: • Send a sample of both Other Service Expenditure and Fees, Charges and Other Income to test based on interim data provided. • Agree these sample items back to third party evidences. At the date of issuing this audit plan, this work is in progress and will be concluded in April. This work will be subject to senior engagement review. We will report any significant findings to management and those charged with governance in either a later Progress Report or in our Audit Findings Report at completion as appropriate.
Employee Benefit Expenditure	We will: • View listings of Starters, Leavers and Change of Circumstance being downloaded from the system after Year End. • Select a sample from these listings and agree information back to data provided by HR. • Investigate the payroll for both Council Staff and Teaching Staff in order to complete our Payroll Analytics work. At the date of issuing this audit plan, this work is in progress and will be concluded in April. This work will be subject to senior engagement review. We will report any significant findings to management and those charged with governance in either a later Progress Report or in our Audit Findings Report at completion as appropriate.

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08 Value for Money Arrangements

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Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

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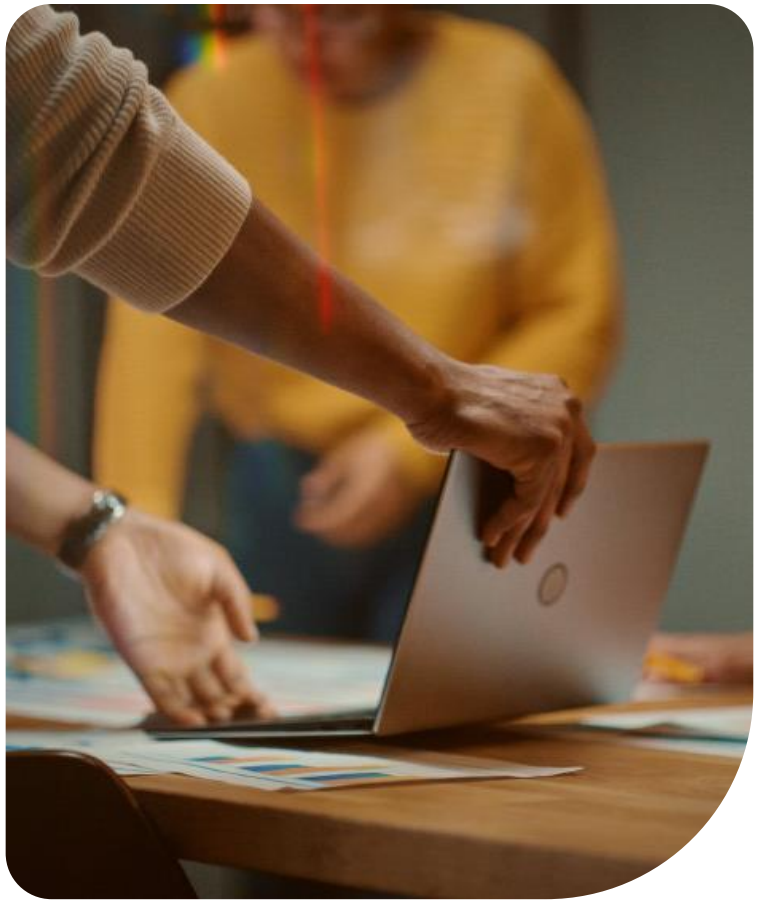
Risks of significant VFM weaknesses



As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

Statutory recommendation

Recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

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Risks of significant weakness in VFM arrangements (continued)

Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified , we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements		2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	R	We have reported a significant weakness and key recommendation in respect of the Council's ability to ensure future financial sustainability. This is a result of the significant key financial risks the Council faces while not having a high level of reserves to mitigate these risks, alongside risks in the deliver of savings plans. We recommended that the Council urgently implement step changes in Strategy to secure financial sustainability.	Potential risk of significant weakness in arrangements due to a significant weakness raised in the prior year which is a clear indicator of a risk in the current year.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness exists. This will focus on the Council's ongoing assessment of key risks, including mitigation of the budget gap for 25/26 and the medium term with savings plans, and the risk of a future successful equal pay claim. Also looking into the conversations taking place on suitable funding for demand led services alongside national local government reform, as being discussed at a national level.
Governance	R	We have reported a significant weakness and key recommendation in respect of the findings of the revies by a King's Council (KC) of the City Clean Service. The review confirming that '*the working environment could fairly be described as toxic*'. *We recommended more formal reporting on progress on recommendations and a lessons learnt exercise to be carried out.*	Potential risk of significant weakness in arrangements due to a significant weakness raised in the prior year which is a clear indicator of a risk in the current year.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness still exists, including assessing the Council's progress on the recommendations made in our Auditor's Annual Report 2023/24.
Improving economy, efficiency and effectiveness	R	We have reported a significant weakness and key recommendation in respect of the findings of the Social Housing Regulator in August 2024 that there were serious failings in the Council's landlord functions of its social housing and failings to deliver all the required outcomes. We recommended that the Council should address and report on progress on the reported failings to Cabinet at least every 6 months.	Potential risk of significant weakness in arrangements due to a significant weakness raised in the prior year which is a clear indicator of a risk in the current year.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness still exists, including assessing the Council's progress on the recommendations made in our Auditor's Annual Report 2023/24.

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

G No significant weaknesses in arrangements identified or improvement recommendation made.
A No significant weaknesses in arrangements identified, but improvement recommendations made.
R Significant weaknesses in arrangements identified and key recommendations made.

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09 Logistics

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Logistics

The audit timeline

Key Dates

Year end:

31st March 2025

Audit, Standards and General Purposes Committee:

TBC

Close out:

30 September 2025

Sign off:

TBC – by December 2025

Audit phases:

Planning – 3 weeks

February-March 2025

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Audit, Standards and General Purposes Committee
- Issue the Audit Plan to management and Audit, Standards and General Purposes Committee
- Planning meeting with Audit, Standards and General Purposes Committee to discuss the Audit Plan

Interim – 2 weeks

March –April 2025

Key elements

- Document design effectiveness of systems and processes
- Review of key judgements and estimates
- Issue Audit progress report and sector update to management and Audit, Standards and General Purposes Committee
- Any planned additional testing.
- As per page 27, this work is still in progress.

Final – June to September 2025

Key elements

- Audit teams to complete fieldwork and detailed testing
- Weekly update meetings with management

Completion – 1 week

September 2025

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Audit, Standards and General Purposes Committee
- Audit Findings presentation to Audit, Standards and General Purposes Committee
- Auditor's Annual Report
- Finalise and sign financial statements and audit report

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Our team and communications

Grant Thornton core team

Paul Cuttle
Engagement Lead/
Key Audit Partner

- Key contact for senior management and Audit, Standards and General Purposes Committee
- Overall quality assurance

Andy N Conlan
Audit Senior Manager

- Audit planning
- Resource management
- Performance management reporting

Ali Hamza
Audit Senior / In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings • Auditor's Annual Report	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

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10 Fees and related matters

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Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2024) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit of the Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £450,108.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here Fee Variations Overview – PSAA

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Our fee estimate:

We set our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the relation to the valuation of land and buildings and of the valuation of the pension fund net asset/liability
- As in previous years due to the risk profile of the council we will be using our own experts for the Valuations of Land and Building which will lead to additional fee once the extent of work has been confirmed this additional fee is therefore TBC.
- We will also include a fee variance for additional work in the audit related to the implementation of IFRS16. The extent of this work is TBC, as management have not yet completed the work on the implementation, accounting treatment and accounts (though this is in progress).
- We expect to need to include a fee variance in respect of likely additional work related to the LPS asset valuations and potential provisions – this fee is TBC.
- We expect to need to include a fee variance in respect of likely additional work related to the equal pay claim and potential provisions – this fee is TBC.

Previous year

In 2023/24 the scale fee set by PSAA was £418,126. The actual fee charged for the audit, was £442,676, due to additional charges for additional audit risk assessment and business process documentation related to ISA 315 (£12,550) and use of external audit valuation expert (£7,000).

Council	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Council Audit scale fee	£430,676	£450,108
Additional fee for audit work related to the implementation of IFRS16	-	TBC
Additional fee in respective of audit work on LPS asset valuations and potential provision	5,000	TBC
Additional fee in respect of audit work on the equal pay claims if required	-	TBC
Fee for the disbursement related to the use of our own auditor's valuation expert	7,000	TBC
Total	**£442,676**	TBC

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11 Independence considerations

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Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). There are no matters that we are required to report.

We are also required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. We note in this instance there ere are no matters that which require reporting.

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council/Group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council/Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council/Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council/Group .
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council/Group's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

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Fees and non-audit services

The following tables below sets out the non-audit services charged from the beginning of the financial year to March 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the council's policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Brighton and Hove City Council . The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees due to their size compared to the Audit Fee.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Teachers Pensions return certification	£12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £450,108 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefits	34,253 with an adjustment for CPI. (proposed fee being discussed with management)	Self-Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £34,253 with an adjustment for CPI (plus £1,500 day rate for any additional re-performance/other work necessary outside of the core agreed fee) in comparison to the total fee for the audit of £450,108 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

This covers all services provided by us and our network to the council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

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55

12 Communication of audit matters with those charged with governance

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Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Council accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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57

13 Delivering audit quality

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Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

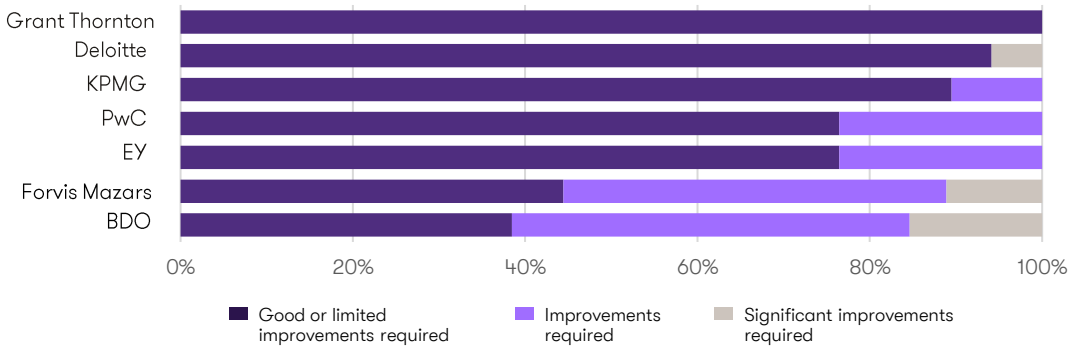
Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit

FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



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59

14 Appendices

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IFRS reporters New or revised accounting standards that are in effect

60

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within Local Government.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

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IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

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The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

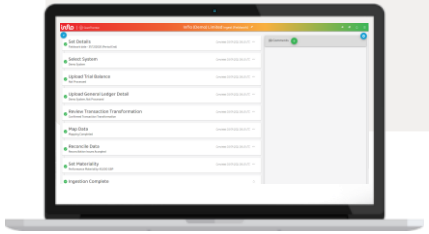
- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

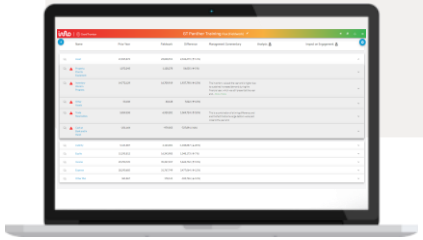


03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement



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Brighton & Hove City Council

Audit, Standards & General Purposes Committee

Agenda Item 8

Subject: **Informing the Audit Risk Assessment 2024/25**

Date of meeting: **24 June 2025**

Report of: **Chief Finance Officer**

Contact Officer: **Name: John Hooton**
Email: john.hooton@brighton-hove.gov.uk

Ward(s) affected: **All**

1. Purpose of the report and policy context

1.1 Informing the audit risk assessment is an external audit related review (introduced by Grant Thornton last year as part of the 2022/23 audit in response to revised financial reporting standards) which is completed by the council's management ahead of the main audit. The completed document ("Informing the Audit Risk Assessment 2024-25") is attached at Appendix 1.

1.2 The purpose of the document is "to contribute towards the effective two-way communication between Brighton & Hove City Council's external auditors and the Audit, Standards & General Purposes Committee". The report sets out audit queries and the 51 management responses covering general enquires of management, fraud, laws and regulations, related parties, going concern and accounting estimates.

2. Recommendations

2.1 That Committee notes the audit risk assessment document.

2.2 That having considered the audit risk assessment document, Committee indicates which (if any) additional matters it considers should be notified to the external auditor on the basis that they may also impact on the planned audit work and context for the financial year ending 31 March 2025.

3. Context and background information

3.1 External audit is an annual statutory requirement for local authorities. The council's external auditor, Grant Thornton, has outlined a number of inquiries which will allow them to inform the audit process for 2024/25 accounts. Appendix 1 sets out the inquiries raised and the management response in detail.

4. Analysis and consideration of alternative options

4.1 Along with every other council in England, the council elected to join the sector-wide procurement of external audit and is therefore bound by the terms negotiated by Public Sector Audit Appointments Ltd (PSAA). Under

this arrangement, Grant Thornton are the appointed external auditor for Brighton & Hove City Council. The authority has recourse to PSAA, who perform a contract monitoring role, if it is dissatisfied with the performance of the external auditor in the delivery of the contract.

5. Community engagement and consultation

5.1 Not applicable.

6. Financial implications

6.1 There are no financial implications arising from this report.

Name of finance officer consulted: Haley Woollard
Date consulted: 06/06/25

7. Legal implications

7.1 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 25 of resources (securing value for money). This committee is the appropriate body for the consideration of this report by elected members of the council.

Name of lawyer consulted: Victoria Simpson Date consulted:10/06/2025

8. Risk implications

8.1 There are none identified.

9. Equalities implications

9.1 There are none identified.

10. Sustainability implications

10.1 There are none identified.

11. Conclusion

11.1 This report and appendix are primarily for noting unless the Committee has additional issues to raise (as set out under section 2 Recommendations).

Supporting Documentation

Appendices

1. Informing the Audit Risk Assessment 2024-25

Audited body: Brighton and Hove City Council

Year ended: 31/03/2025

Agenda	Management comment
General inquiries	
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2024/25?	The national economic position continues to be a key factor during 2024/25. Although inflation has stabilised, interest rates remain high, contributing to continuing pressures on homelessness, and the low growth evident in the economy continues to impact many revenue streams including planning fees, commercial rents and parking. During 2024/25 some cultural attractions continued to be impacted including the Royal Pavilion & Museums Trust, whilst the i360 Company continued to struggle, ultimately entering into administration before Christmas 2025. The latter impacted resources by a further £1 million in 2024/25 (and ongoing) reflecting non-repayment of loans by the i360, while pressures on homelessness, Home to School Transport, Adult Social Care and various income sources saw a forecast overspend of over £8 million at month 8 (November) resulting in recruitment and non-critical spending freezes. Together with release of an available risk provision of £1 million, the position has improved to a £3.3 million forecast risk at month 9 (December) and it is expected that break-even can be achieved by year-end, although this may mean deferral of a planned repayment of the Working Balance. This is reflected in the 2025/26 budget report to Budget Council (27 February 2025) which sets out in detail the substantial financial challenges faced by the council, including a further savings requirement of £16 million in 2025/26. More encouragingly in 2024/25, which included the largest savings programme in the council's history of £23.7 million, there has been better progress than in recent years with around 80% of savings delivered.
2. Have you considered the appropriateness of the accounting policies adopted by Brighton and Hove City Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Yes, we have. The only change to accounting policy will be the implementation of IFRS 16. We do not consider that any events or transactions indicate that any further changes of accounting policies is required at this time.
3. Is there any use of financial instruments, including derivatives? If so, please explain	Debt: The council has outstanding LOBO loans (simple structure and no high-risk aspects). Apart from this the council's debt is substantially with the PWLB and the council does not have any special purpose investment vehicles. Investments: The majority of the council's investments are simple structure cash investments. The council holds a structured long term investment with Danske, where the interest payable is linked to SONIA, and reset every 6 months. This investment is legally offset againt the LOBO held with danske to remove credit risk on that loan. In addition, the council holds £10m investment in Royal London pooled funds which invests in a number of different instruments.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	There are no significant transactions outside the normal course of business of balance sheet materiality in 2024/25. During 2024/25, the i360 Company went into administration. The venue was

	closed and staff released. The site was recently sold in administration but required the council to release all security on the outstanding debt (£51 million). The sale value was nominal and is unlikely to provide a distribution to the council. A share of future revenues has however been negotiated. This leaves the council servicing underlying PWLB loans of £24 million and setting aside a provision through the MRP policy over the original financing period of 25 years ending in 2041. The overall impact is £2.2m per annum.
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	The economic environment and world events generally may have longer term implications for PPE valuations, i.e. depending on the economic position etc.; these cannot be known or estimated at this time. This may therefore have implications for the certainty of PPE valuations (as do all macro or global economic events). Within the HRA (Council Housing stock), the council has identified 8 Large Panel System (LPS) blocks that present additional building safety risks. These risks are being managed while the council explores longer-term options for the properties. This may ultimately require reconstructions. In the meantime, the council has valued the blocks at nil value which also reflects their nominal insurance value.
6. Are you aware of any guarantee contracts? If so, please provide further details	The council has a contract with Brighton & Hove Seaside Community Homes ('Seaside Homes') that includes a rent guarantee clause which operates if the Local Housing Allowance (LHA) annual rate increase falls below +3.2%. LHA rates have been frozen in previous years but were uplifted by 7% in 2024/25. At a joint meeting of the Policy & Resources and Housing Committee on 27 February 2023, it was agreed that "…*the Council should seek to end the current Local Delivery Vehicle arrangements and bring the temporary accommodation currently leased to Seaside Homes back into Council control."* Brighton & Hove City Council - Agenda for Policy & Resources Committee on Monday, 27th February, 2023, 2.00pm (brighton-hove.gov.uk) The council continues to explore options for the return of Seaside Homes' properties to the council but interest rates are currently unfavourable for re-financing and a major valuation exercise needs to be undertaken by both Seaside and the Council.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	Contingent liabilities and assets will be disclosed as normal but none are currently known to be material. This includes receipt of a significant number of equal pay claims which may ultimately result in a potential liability but which the council currently expects to defend and is taking external advice. Where litigation or contractual disputes are at an advanced stage and the council can estimate any loss with reasonable certainty (e.g. vento scale estimates) these are included as an accrual or a provision.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Brighton and Hove City Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Solicitors used by BHCC during 2024/25 Irwin Mitchell – leasehold debt claims (litigation) Blake Morgan – construction dispute (litigation) Academy conversions (ongoing). Blake Morgan - acquisition of former school site from Diocese Wilkin Chapman - pursuing Council Tax arrears (litigation) Osborne Clarke - I360 administration Berwick Solicitors – construction matters (litigation).

	Bevan Brittan – advice on Local Enterprise Partnerships (commercial) (ongoing) Bevan Brittan - Southern Taxis (litigation) (ongoing) Bevan Brittan - changes to legal agreements and Seaside Homes (ongoing) Bevan Brittan – advice on letter before action from IT supplier and advice on letter before action on Home to Schools transport matter, together with ongoing support (litigation) Bevan Brittan – Commercial lease renewal proceedings, dispute over access way Blake Morgan – acquisition of school site from Diocese Davitt Jones Bauld: enforcement of property lease covenants (litigation) Davitt Jones Bauld – Commercial lease renewal proceedings, specialist / contentious telecommunication matters (ongoing), acquisition of large residential new build blocks of flats Sharpe Pritchard – specialist construction law advice on major development projects such as Moulsecoomb Hub and Housing project and Hove Beach Park (including assisting with contract drafting and preparing risk analysis). Preparation of BHCC's Schedules of Amendments for JCT and NEC 4 contracts for both Housing and Regeneration teams (ongoing) Freeths – preparation of a Collaboration Agreement on RPMT Garden project.
9. Have any of the Brighton and Hove City Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	The Council recognises the threat of fraud and has a strategy against fraud and corruption. The strategy: •acknowledges the threat of fraud; •encourages prevention; •promotes detection; •identifies a clear pathway for investigation; and •sets out the appropriate sanctions, including the recovery of losses. Key focus areas remain housing tenancy fraud and council tax discounts. Other key areas where the council received and investigated allegations of fraud or collusion included housing repairs, facilities, and vehicle procurements as well as misuse of parking permits. The Council is a Unitary Authority, so it potentially has a number of areas of fraud risk. However, the Council has appropriate controls over its key financial systems, effective governance arrangements and has good fraud referral and whistleblowing arrangements in place. Fraud investigations are co-ordinated and managed within a partnership-led counter-fraud team led by an Audit Manager. Internal Audit and Counter fraud adopt a wide range of techniques to detect fraud. These include the examination of counter fraud controls in individual audits, data analytics and data matching (Including the National Fraud Initiative).
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The council has taken KC advice on Equal Pay and also on the Council's Transgender toolkit and School Admissions Arrangements. The council uses barristers all the time; cannot list them all. For childcare cases the council instructs Counsel weekly.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as	There are a number of items that have a credit loss provision calculated and applied, with workings provided as part of the working papers. These include the council's investment in Royal London

debtors (including loans) and investments? If so, please provide further details	(RLAM) pooled funds, and loans to third parties. There are no new assets that meet this criteria identified within 2024/25.
Fraud inquiries	
1. Has Brighton and Hove City Council assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the Council's risk management processes link to financial reporting?	Fraud risk is considered as part of the annual audit planning process and through the fraud risk assessment. The Internal Audit Service contains a dedicated team responsible for Counter Fraud. As part of its work, the team maintains a counter fraud risk assessment and an associated proactive fraud work plan. Updates on the Counter Fraud Team's work are provided to key Governance Officers (Chief Exec, Monitoring Officer and Chief Finance Officer) together with the Audit, Standards & General Purposes Committee on a regular basis. There is a detailed Risk Management Framework that includes Strategic Risks (reported to Audit & Standards Committee), Directorate-level risks and project-level risks as well as other risk assessment processes. Strategic Risk 02 (SR02) concerns financial sustainability and sets out the First, Second and Third line defences used to treat this risk under the council's Corporate Risk Assessment Framework. Essentially, this sets out that the council manages financial risk through its Targeted Budget Management (TBM) reporting framework, through maintaining an up to date MTFS, and through Internal Audit Reviews and oversight of a well trained and appropriately qualified Finance Function. The Annual Budget Report also includes an assessment of MTFS risks and considers risk provisions, reserves and working balances to offset and mitigate identified general and specific financial, legal and contractual risks.
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Under the National Fraud Initiative, the Council provides data for a data matching exercise to compare records held by various bodies to identify potential error or fraud – these include those most at risk of fraud. This data includes payroll, pensions, creditors, residential care payments, concessionary travel passes, residents parking permits and clients in receipt of direct payments.
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Brighton and Hove City Council as a whole, or within specific departments since 1 April 2024? If so, please provide details	As an internal audit team we have been notified of a number of irregularities during the year. A high level summary of these was presented in our annual report on irregularity work to Audit, Standards & General Purposes Committee in June 2024. Quarterly progress reports are reported to Audit Committee informing members about irregularity investigations and fraud work undertaken by Internal Audit. Details of these can be found with the committee papers on the Council's website. Senior Governance Officers regularly consider the emerging fraud risk and caseload of Internal Audit & Counter Fraud.
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Our Audit, Standards & General Purposes Committee receives regular updates and progress reports from Internal and External Auditors, and also receives updates on Strategic Risks from management. A meeting of statutory officers (CEO, CFO and Monitoring Officer) is held weekly to identify any emerging or escalating corporate risks and considers how these should be communicated if necessary and to whom.

	The Corporate Leadership Team (CLT) maintains a 'Live Issues' tracker which is reviewed weekly and identifies current and emerging corporate risks and issues and receives updates on how they are being treated.
5. Have you identified any specific fraud risks? If so, please provide details Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Brighton and Hove City Council where fraud is more likely to occur?	We acknowledge and understand our fraud risks, and we have a dedicated counter fraud team to respond to these risks. A risk assessment of potential fraud areas shows most as Low Impact and Low/Medium Likelihood. In line with key fraud risks highlighted nationally & consideration of the Council's own fraud risk profile, we believe areas to focus on are: •Procurement •Related Party declarations •Contracts •Schools •Direct Payments •Grants •Payroll • None identified.
6. What processes do Brighton and Hove City Council have in place to identify and respond to risks of fraud?	Internal audit have a dedicated Counter Fraud team to prevent, detect and investigate fraud. The counter fraud strategy sets out our approach to tackling fraud. We undertake both proactive reactive work, and the proactive work seeks to prevent and identify fraud and is targeted through a fraud risk assessment. We have in place a fraud reporting hotline in addition to a confidential reporting (whistleblowing) hotline to encourage the reporting of suspected fraud.
7. How do you assess the overall control environment for Brighton and Hove City Council, including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting	The council is a unitary authority so it potentially has a number of areas of fraud risk. However, the council has appropriate controls over its key financial systems, effective governance arrangements and has good fraud referral and whistleblowing arrangements in place which have been proven to be effective. Fraud investigations are co-ordinated and managed within a partnership-led counter-fraud team led by an Audit Manager. Key specific processes are: Internal Audit Plan – Annual Plan & Strategy Financial Regulations and Contract Standing Orders Scheme of delegation to Officers Civica Financials and other systems privacy and access controls and reconciliations A balanced and flexible internal audit plan allows for sufficient coverage to provide assurance on the internal control environment, and improve any weaknesses identified.

process (for example because of undue pressure to achieve financial targets)? If so, please provide details	The council has a detailed Risk Management Framework that includes Strategic Risks (reported to Audits, Standards & General Purposes Committee), Directorate-level risks and project-level risks as well as other risk assessment processes. To support the above, the Internal Audit and Counter Fraud service undertakes a wide range of reviews and utilises a broad set of techniques to detect fraud. These include the examination of counter fraud controls in individual audits, data analytics and data matching (Including the National Fraud Initiative). The service supports the council's whistleblowing process and provides fraud awareness e-learning to ensure all services are aware of fraud risks. We are not aware of any areas of potential over-ride of controls.
8. Are there any areas where there is potential for misreporting? If so, please provide details	None known.
9. How does Brighton and Hove City Council communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	The council's governance arrangements include codes of conduct for members and officers, a counter fraud strategy, and a whistleblowing policy. These are periodically updated to ensure they remain relevant e.g. providing advice on using social media. The council uses its PIER HR/Payroll system to capture and record disclosure of interests and related party transactions for members and officers, enabling more effective management review of declarations. The declaration process is updated and managed as part of the closure of accounts process. The council's intranet ('the Wave') contains copies of guidance and policies accessible to all managers and staff. The council's induction programme and Manager's Checklist includes all of these policies and practices and appropriate e-learning and training. The council promotes its Whistle Blowing Policy regularly. IT&D provide regular corporate communications regarding potentially fraudulent email (phishing) and, for example, have introduced a simple reporting tool (via MS Outlook).
10. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	Staff who have Administrative access and/or development rights in respect of major systems. Segregation of duties, authorisation processes, audit trails (operator logs) and Internal Audit reviews are the primary defences. Managers responsible for procuring goods or services or negotiating property/land deals. The risk is both from undermining procurement processes and/or collusion with bidders/contractors. The council's Contract Standing Orders and Waiver Authorisation processes are designed to minimise these risks, particularly in relation to high value procurements where there is additional scrutiny and oversight from the Corporate Procurement Team. Staff working in income processing, treasury, banking or other areas present fraud risks, particularly through collusion but these are areas where Financial Procedures, Internal Controls, reconciliation processes and systems, and Authorisation/Privacy controls are designed with Internal Audit and subject to ongoing audit reviews.
11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details	None identified. The council keeps a full record of member declarations and staff related party declarations and keeps these under review. The primary mitigation is through Contract Standing Orders. This precludes member involvement in any procurement and evaluation processes, except at the award stage. Similarly, officers are limited to maximum contract awards through Contract Standing

How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Orders and Financial Regulations before needing to seek member approval. For formal related parties, the mitigation is through contractual agreements which determine the governance and controls applicable
12. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	The Committee receive and review quarterly updates on the work of the Internal Audit & Counter Fraud Team. A high level summary of these is presented in an annual Counter Fraud report on irregularity work to Audit, Standards & General Purposes Committee; last reported in June 2024. The progress reports capture the emerging risks of fraud (summary of investigations) for the council and any breaches of internal control. Details of these can be found with the committee papers on the Council's website. The Counter Fraud Strategy is reviewed and approved by Senior Officers and the Audit, Standards & General Purposes Committee Details of any investigations and escalating fraud risks are reported to Audit, Standards & General Purposes Committee as part of the regular audit update reports.
13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	There have been issues raised through the whistleblowing process. The council keeps a full log of issues/complaints and has well-defined investigation and review processes. The log is highly confidential but is available to view if required.
14. Have any reports been made under the Bribery Act? If so, please provide details	No reports were made in 2024/25 so far.
Laws and regulations	
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does Brighton and Hove City Council have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	The council's Constitution ensures that all relevant laws and regulations are followed in the conduct of the council's business. The Constitution sets the framework for decision-making, which includes a Cabinet structure for specified types of decision (Key/Non-Key) and delegations to Chief Officers in relation to other decisions. Overview & Scrutiny Committees are in place with powers to scrutinise and call-in Cabinet decisions. The Constitution includes Contract Standing Orders to ensure procurement regulations are complied with and these have been updated and approved by full Council on 30th January 2025 to comply with the new requirements of the Procurement Act 2023. Codes of Conduct are in place to ensure high standards of conduct and governance. The council's Audit, Standards & General Purposes Committee has oversight of key policies such as Whistleblowing and Code of Conduct complaints against Council members, which are monitored. Regular reporting to this Committee ensures that audit investigations are reviewed and trends identified. Three independent members have been co-opted to this Committee to provide additional expertise as well as external challenge, in addition to the Standards responsiblities. Every report to a decision making body routinely includes legal and financial advice which must be taken into account prior to any decision being taken. We are not aware of any changes to the council's regulatory environment which would have a significant impact on the council's financial statements.

2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	The committee is advised by the Monitoring Officer and receives regular reports in relation to the audit activity undertaken by the council's audit team. Questions are raised and responded to at committee and if necessary member working groups are established to look more closely at any areas of concern. All reports to all committees are required to include legal implications from a nominated legal officer to provide the Audit, Standards & General Purposes Committee and all other member decision making meetings with assurance that decisions take into account relevant regulations and are legally compliant.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2024 with an on-going impact on the 2024/25 financial statements? If so, please provide details	None have been identified.
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	As set out in the existing contingent liabilities disclosure, the council has some general legal claims or litigation cases which had not been resolved at the Balance Sheet date. None of these are quantifiable and nor are they material in value and the claims may be successfully defended. The council has also received a significant number of Equal Pay claims that are also unquantifiable. The council is seeking detailed external legal advice to form its defence. Whilst any such claim may give rise to a potential liability, at this stage there is no identified or quantifiable liability for the council to recognise.
5. What arrangements does Brighton and Hove City Council have in place to identify, evaluate and account for litigation or claims?	The council builds in a review process into its annual closure of accounts process. This includes a meeting with the Monitoring Officer and Lawyers involved in litigation to undertake a financial risk assessment and consider the requirement for provision or other disclosure in the accounts.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None identified.
Related parties	
1. Have there been any changes in the related parties including those disclosed in Brighton and Hove City Council's 2024/25 financial statements? If so please summarise: • the nature of the relationship between these related parties and Brighton and Hove City Council • whether Brighton and Hove City Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions	**There is nothing significant to date. This will be reviewed in detail as part of the work underpinning the 2024/25 Statement of Accounts related parties disclosure note and working papers.**

2. What controls does Brighton and Hove City Council have in place to identify, account for and disclose related party transactions and relationships?	Identification and assessment of relationships is built into the annual closure of accounts timetable to ensure identification and consideration of implications for the accounts and disclosure notes.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	This will be controlled by the relevant contractual agreements and defined governance arrangements authorised by Cabinet and full Council. Where there are financial transactions, the council will have approved budget allocations for any contributions, grants or other payments it is expected to make to a related party. Budgets are approved by Budget Council, Cabinet or a Cabinet Member.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Standard Financial Procedures and the Scheme of Delegation to Officers regulate all transactions. Officers cannot undertake transactions outside the normal course of business without an approved budget.
Going concern	
1.What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Brighton and Hove City Council will no longer continue?	Ensuring that statutory services provided by the council can continue is part of the normal financial and operational management processes/controls. The statutory framework within which local government operates requires forward financial planning, prudential provision for repayment of debt and affordability testing for new debt and the setting of a balanced budget annually. Brighton & Hove City Council operates appropriately within this framework and has not undertaken any new high-risk investments or borrowing (an appropriate and prudent response to the current economic environment/uncertainties).
2.Are management aware of any factors which may mean for Brighton and Hove City Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	We are aware of none in the reporting period. The government's English Devolution White Paper may change the balance of statutory responsibilities between Unitary Authorities, such as BHCC, and any new Mayoral Strategic Authority for the area. However, this is expected to be at least 2 years hence.
3.With regard to the statutory services currently provided by Brighton and Hove City Council, does Brighton and Hove City Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Brighton and Hove City Council to cease to exist?	Brighton & City Council is part of a priority programme for Devolution and Local Government Reorganisation. This may see the authority either continue or potentially expand and, as noted in Q2 above, may see some functions ultimately transfer to a new Mayoral Strategy Authority for the area. However, in the interim, the council will continue to develop annual and medium-term financial plans on the current basis until any restructure of local government in the area is formally confirmed.
4.Are management satisfied that the financial reporting framework permits Brighton and Hove City Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes, management are satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements. Devolution and/or Local Government Reorganisation may involve a change in the statutory responsibilities of the authority but any change will be managed through legislation and the formal transfer of functions and funding.
Accounting estimates	

1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The council has property, plant and equipment (PPE) of a large value including council dwellings that need professional valuation. The council is an admitted body of the East Sussex Pension Fund and requires a professional actuarial valuation of its pension fund liabilities and assets. The council provided loans to the i360 company that attracted payments of interest and principal. However, the i360 entered into administration in late 2024 and the council has released any security in the outstanding debt and the site/venue has now been sold for a nominal sum. Provision for the expected credit loss and impairment had previously been made in the accounts and the council will now pay down the underlying loan within the CFR (circa £32 million) through its MRP policy over the original loan period (25 years) until 2041, in addition to servicing the PWLB loans in relation to this transaction (currently £24.3m) at a rate of approximately £2.2 million per annum. The council has a range of unexceptional financial Instruments and Investments that require valuation and disclosure in accordance with its accounting policies and the accounting code of practice. There are no new instruments identified during 2024/25. Some provisions and reserves may require judgements and estimates (e.g. PFI reserves, debt Impairments/bad debt provision) and these are reviewed at least annually to consider the accounting treatment and information required to inform estimates.
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	Experienced and qualified accountants work with services to obtain appropriate financial information and develop estimates in accordance with the council's accounting policies. Where necessary, external expertise such as experienced Actuarial firms, Property Valuers or other financial advisers may be engaged directly or indirectly if the council considers it needs independent advice and/or does not have the expertise in-house.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	A structured closure of accounts process has been put in place, led by the Financial Accounting team, which is accompanied by guidelines as to information that managers/budget holders should consider and provide as part of the process. The process is subject to oversight by the S151 Chief Financial Officer. Questions are also put to the Corporate Leadership Team (CLT) and Tier 2/3 (Corporate Directors/Directors) managers regarding potential liabilities and commitments as part of the process.
4. How do management review the outcomes of previous accounting estimates?	By analysing significant comparative movements annually to understand if any improvement in the valuation or estimation method is required, and via the annual Audit Findings Report and ongoing liaison with the external audit team to identify areas where improved methodology or information may be required to inform estimates, and via review against updated best practice and accounting body (CIPFA) code and detailed guidance notes.
5. Were any changes made to the estimation processes in 2024/25 and, if so, what was the reason for these?	None identified to date.
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Through identification of areas that require estimation or valuation in the first instance and then making an assessment of the capacity and skills available to conduct this internally. Where the internal skills do not exist, external expertise is normally sought for non-trivial or material judgements.

	For example, the council has taken advice from Link Asset Services and MHCLG regarding application of its MRP policy to underlying i360 loans. Similarly, the council will seek appropriate advice and support regarding application of IFRS 16.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The council follows best practice guidance, CIPFA practitioner Code and explanatory guidance and Financial Reporting Standards and embeds these in instructions directly or through partners e.g. East Sussex Pension Fund, to specify the requirements that must be met to provide a valid estimation, judgement or valuation.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	For external expertise, this will be through the procurement processes which will request evidence of the quality assurance processes to be provided by the supplier. Internally, this is through senior management oversight and S151 oversight of the process including reviews of all non-trivial and material estimates.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: • Management's process for making significant accounting estimates • The methods and models used The resultant accounting estimates included in the financial statements.	As above.
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	There are no significant items identified in additional to those identified in Appendix A.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	See evidence above for the process of identifying, procuring and improving estimates and valuations. The council considers that these are robust processes that ensure that appropriately qualified expertise is utilised in the production of estimates, particularly significant and material judgements.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	The report accompanying the approval of the accounts sets out the council's quality assurance approach for the production of the financial statements including key judgements and estimates. In 2024/25 the Audit, Standards & General Purposes Committee (as was the case for 2023/24 & 2022/23) will formally review this document in June 2025 (subject to external audit agreement and delivery).

Appendix A – Accounting Estimates

Possible examples include: land and buildings valuations, council dwelling valuations, investment property valuations, valuation of defined benefit net pension fund liability/asset, fair value estimates, level 2 and 3 investments, PFI liabilities, provisions, accruals, credit loss and impairment allowances, leases.

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	Asset valuations are subject to quality control, detailed review and year-on-year analytical review as part of the processes underpinning the production of the Statement of Accounts and associated working papers. Property valuations are supported by a detailed valuation report setting out the assumptions and supporting evidence behind the valuations. The standard process is for a draft report to be reviewed by management (which allows for challenge of the valuer's assumptions and supporting evidence) prior to the final valuation report being issued/incorporated into the final accounts.	Independent and appropriately RICS-qualified external valuers are used for the majority of valuations.	The medium to long term impact of current economic conditions and other major world events on property valuations is uncertain. Reasonable interpretation of this will be provided by the appropriately qualified valuers employed by the council to provide "snapshot" balance sheet valuations. As the council has no assets that it is currently planning to sell to fund committed spending and, in line with the rest of local authorities, does not borrow against the value of its balance sheet, its land and building valuations represent no financial risk.	No
Council dwelling valuations	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	Please see above (as per "Land and building valuations").	Independent and appropriately qualified external valuers.	Please see above (as per "Land and building valuations").	No

Investment property valuations	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	Please see above (as per "Land and building valuations").	Independent and appropriately qualified external valuers.	Please see above (as per "Land and building valuations").	No
Depreciation	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	The controls include the council's asset register annually updated in line with the council's programme of capital investment, annual review of asset lives, and analytical review of depreciation charges changes year-on-year.	No	There is limited scope for interpretation under the Code as acknowledged in the accounting policies.	No
Valuation of defined benefit net pension fund liabilities	This is set out in detail in the council's note to the Statement of Accounts "Defined Benefit Pension Schemes".	The defined benefit pension liability valuation estimate is produced by a firm of appropriately qualified and experienced actuaries (Barnett Waddingham LLP). Full details of the actuarial assumptions are set out in the annual IAS19 actuarial report and the valuation is carried out in line with the relevant professional standards.	Yes, professional actuarial valuation.	These are set out in detail in the note to the accounts and the relevant actuarial valuation. For example, assumed long term investment returns net of pay and price inflation, the life expectancy of existing and future pensioners.	
Financial Instruments - Level 2 investments	The is set out in detail in the council's accounting policies, for example, under "Fair Value Measurement". Please note that the council holds no level 2 investments *("…that do not have regular market pricing, but whose fair value can be determined based on other data sources or market prices").*	N/A	N/A	N/A	N/A
Financial Instruments - Level 3 investments	This is set out in detail in the council's accounting policies, for example, under "Fair Value Measurement". Please note the council only has £50k of assets (share	The value is immaterial and has been devalued to 75% of £50k so only £37.5k in the balance sheet.	No	N/A (as immaterial).	No

	equity in the Municipal Bond Agency) in this category.				
Fair value estimates	This is set out in detail in the council's accounting policies under "Fair Value Measurement".	N/A	Yes, the council's treasury advisor values.	N/A	No
Provisions	The method of estimation is set out in detail in the council's accounting policies under "Provisions".	There is a comprehensive annual review of potential provisions as part of annual closing.	No.	The council provisions are fully detailed in the note to the Statement of Accounts and associated working papers. The value (included the business rates appeals provision) is currently below balance sheet materiality (c£9 million at 31 March 2024).	
Accruals	The method of estimation is set out in the closing guidance notes for both the finance team and the budget holders. As required by the accounting Code of Practice/IFRS, the council aims to account for income and spending in the year the effects of the transactions are experienced and not simply when the payments are made or received.	This is set out in detail in the closing instructions to finance teams and budget holders.	No (but all accruals are reviewed/checked by the finance team prior to posting in the ledger).	All accruals are either precise allocations between financial years based on services paid for and received as per the relevant invoices or, if the invoice for the service has yet to be received, based on informed judgement (either information from the supplier or historic patterns of spending/income).	No
Credit loss and impairment allowances	This is set out in detail in the council's accounting policies and in the note to the Statement of Accounts ("Financial Assets and Liabilities – Financial instruments").	This is set out in the working papers to the Financial Instruments note to the Statement of Accounts.	No.	The estimates are based on professional judgement.	No

Finance lease liabilities	The method of estimation is set out in detail the accounting policies under the section on Lease and Lease type arrangements and the associated note in the Statement of Accounts.	The disclosures are based on annual and comprehensive reviews/updates of lease and lease type arrangements across the council's services.		There is limited (or no) scope for interpretation under the Code as acknowledged/set out in the accounting policies.	
PFI Liabilities	This is set out in the council's accounting policies under "Private Finance Initiative (PFI)". As set out in the PFI accounting requirements set out in the code, all three of the council's PFI contracts are supported by long-standing Fair Value models which set out the long term liability to fund the PFI asset (at inception/variation) convert the payments due under the contract to the notional/book entry capital repayment and revenue elements.	The liabilities under the contract were documented/modelled at contract inception or (limited impact as the bulk of the liability arises in the calculations undertaken at inception) varied if required due to contract variations.	Yes, in the original development of the Fair Value models for each contract. All models are now maintained internally.	All three of the council's PFI contracts date from the early 2000's so the original assumptions and Fair Value models which established the book entry liabilities over the lifetime of the contract at contract inception have been subject to annual external audit and review over a substantial number of years. [The relevant PFI assets are revalued annually for the Statement of Accounts disclosure].	Yes – this will be impacted by IFRS 16

Brighton & Hove City Council

Audit, Standards and General Purposes Committee

Agenda Item 9

Subject: **Internal Audit Annual Report and Opinion 2024/25**

Date of meeting: **24th June 2025**

Report of: **Director of Finance and Property (S151)**

Contact Officer: **Carolyn Sheehan (Audit Manager)**
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Russell Banks (Chief Internal Auditor)
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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 give an opinion on Brighton and Hove City Council's control environment for the year from the 1 April 2024 to 31 March 2025.

1.2 The report also provides members with an update on all internal audit and counter fraud activity completed during quarter 4 (2024/25), including a summary of all key audit findings.

2. Recommendations

2.1 That the Committee note the work undertaken and the performance of Internal Audit in 2024/25 and the resultant annual opinion of the Chief Internal Auditor.

2.2 Determine whether there are any matters that the Committee wishes to consider for the inclusion in the Council's Annual Governance Statement.

2.3 That the Committee agrees that the Council's arrangements for internal audit proved effective during 2024/25.

3. Context and background information

3.1 The purpose of this report is to give an opinion on the adequacy of Brighton and Hove City Council's control environment as a contribution to the proper economic, efficient, and effective use of resources. The report covers the

audit work completed in the year from 1 April 2024 to 31 March 2025 in accordance with the Internal Audit Strategy 2024/25.

3.2 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Annually the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

3.3 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

4. Analysis and consideration of alternative options

4.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide partial assurance that Brighton and Hove City Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2024 to 31 March 2025.

4.2 This opinion and the evidence that underpins it, is further explained in the full Internal Audit Annual Report and Opinion, attached as Appendix 1.

4.3 The report highlights key issues for the year, including a summary of all audit opinions provided, work on key financial systems and other internal audit activity.

4.4 There is a separate report on Counter Fraud activity to be presented alongside this report.

4.5 A summary of the major findings from audit reviews completed during quarter 4 of 2024/25 is included in Appendix 2. Major findings from previous quarters have already been reported to Audit and Standards Committee.

4.6 Finally, Appendix A of the annual report (Appendix 1) sets out details of internal audit performance for the year, including details of compliance against the relevant professional standards.

5. Community engagement and consultation

5.1 The annual report has been informed by internal audit and counter fraud work carried out during the year which has included extensive engagement with officers and members.

6. Financial implications

6.1 There are no direct financial implications arising from this report. Sound corporate governance, risk management and control are essential to the financial health and reputation of the Council.

6.2 The audit opinion is partial assurance for a second year. Prompt and robust action is required to address findings. Any financial implications of doing so will be reported through the council's Targeted Budget Management reporting cycle.

Name of finance officer consulted: Haley Woollard Date consulted : 22/05/25

7. Legal implications

7.1 The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account Public Sector Internal Audit Standards. Reviewing the work planned and completed by the Council's internal audit function is a key part of the Audit and Standards Committee's delegated functions.

Name of lawyer consulted: Victoria Simpson Date consulted 27/05/2025

8. Risk implications

8.1 The Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement. The Council's Internal Audit Strategy and Plan is developed based on a combination of management's assessment of risk (including that set out within the departmental and strategic risk registers) and our own risk assessment of the Council's major systems and other auditable areas. Issues arising from individual audit reports, summarised in quarterly progress reports to this Committee, have been presented to management and action plans have been formally agreed to mitigate risks. It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

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

12. Conclusion

12.1 The Committee is recommended to note the report and Internal Audit Service's opinion on the Council's control environment, consider whether there are any significant issues that should be included in the Council's annual governance statement for 2024/25 and consider whether the Council's system for internal audit has proved effective.

Supporting Documentation

Appendices

1. Internal Audit Annual Report and Opinion 2024/25
2. Internal Audit and Counter Fraud Quarter 4 Progress Report 2024/25

Appendix 1

INTERNAL AUDIT ANNUAL REPORT & OPINION 2024/2025

Brighton & Hove City Council

1. Internal Control and the Role of Internal Audit

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The full role and scope of the Council's Internal Audit Service is set out within our Internal Audit Charter.

1.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

1.3 Annually the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

2. Delivery of the Internal Audit Plan

2.1 The Council's Internal Audit Strategy and Plan is updated each year based on a combination of management's assessment of risk (including that set out within the departmental and strategic risk registers) and our own risk assessment of the Council's major systems and other auditable areas. The process of producing the plan involves extensive consultation with a range of stakeholders to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered.

2.2 In accordance with the audit plan for 2024/25, a programme of audits was carried out covering all Council departments and, in accordance with best practice, this programme was reviewed during the year and revised to reflect changes in risk and priority. All adjustments to the audit plan were agreed with the relevant departments and reported throughout the year to the Corporate Leadership Team and the Audit, Standards and General Purposes Committee as part of our periodic internal audit progress reports. Full details of the adjustments to the plan can be found in Appendix D.

2.3 It should be noted that whilst there were some audit reports in progress or at draft report stage at year-end, outcomes from this work have been taken into account in forming our annual opinion. Full details of these audits will be reported to the Corporate Leadership Team and the Audit, Standards and General Purposes Committee once each of the reports have been finalised with management.

3. Audit Opinion

3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide **partial** (1) assurance that the Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2024 to 31 March 2025.

3.2 Further information on the basis of this opinion is provided below. Although the majority of audit opinions issued in the year were generally positive, there was an

[1] This opinion is based on the activities set out in the paragraphs below. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Council within a single year.

increase in the number of partial assurance reports overall and internal audit activities have identified a number of key areas where the operation of internal controls has not been fully effective. A number of these relate to key financial or corporate systems and/or link to risks identified in the Council's strategic risk register.

3.3 For some of the areas of review, which resulted in partial assurance opinions, the audits were delivered at the request of management in order to obtain assurance over areas where there were known issues and a potential need for improvement. This demonstrates a positive organisational culture which utilises Internal Audit to help support service improvement.

3.4 Given the issues identified, it is essential that management continue to recognise the need to take prompt and robust action in response to the findings arising from internal audit activities, in order to ensure an adequate control environment remains in place and that there is no future deterioration in the level of assurance.

3.5 Where improvements in controls are identified during our audit work, we have agreed appropriate remedial action with management.

4. Basis of Opinion

4.1 The opinion and the level of assurance takes into account:

- All audit work completed during 2024/25, planned and unplanned;
- Follow up of actions from previous audits;
- Management's response to the findings and;
- Ongoing advice and liaison with management, including regular attendance by the Chief Internal Auditor and Audit Managers at organisational meetings relating to risk, governance, and internal control matters;
- Effects of significant changes to the Council's systems;
- The extent of resources available to deliver the audit plan; and
- Quality of the Internal Audit service's performance.

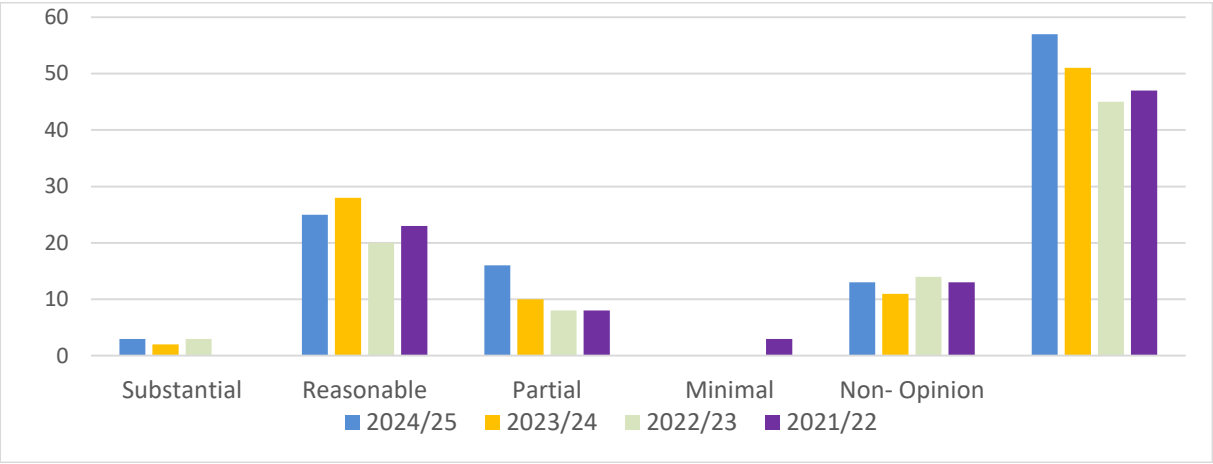
4.2 No limitations have been placed on the scope of Internal Audit during 2024/25.

5. Key Internal Audit Issues for 2024/25

5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues, and the overall opinion, have been taken into account when preparing and approving the Council's Annual Governance Statement.

5.2 The internal audit plan is delivered each year through a combination of formal reviews with standard audit opinions, direct support for projects and new system initiatives, investigations, grant audits and ad hoc advice. The following graph provides a summary of the outcomes from all audits finalised over the past four years:

Comparisons of Opinions 2021/22 through 2024/25



**Non-Opinion: Includes grant certifications and audit reports where we did not give a specific audit opinion. Typically, this tends to be proactive advice and support activity where, due to the advisory nature of the audit work, provision of formal assurance-based opinions is not appropriate.*

5.3 A full listing of all 2024/25 completed audits and opinions for the year is included at Appendix B, along with an explanation of each of the assurance levels. The status of all planned audits in progress but not completed to final report by year-end is shown in Appendix C.

5.4 Eleven audits that were completed to follow up on previous partial opinion audits showed improvement and resulted in an opinion of reasonable or substantial assurance.

5.5 We are pleased to report that no minimal assurance audit opinions were issued during the year, however, thirteen audits received partial assurance during 2024/25 (all of which have been reported on in our quarterly progress reports) as follows:

- Accounts Receivable;
- Payroll;
- Direct Payments;
- Housing Major and Planned Works Programme;
- Fleet Management;
- Contract Management Compliance- Facilities and Building Services;
- Corporate Governance Policy Framework and Associated Guidance;
- Off Payroll Payments;
- Prepayment Vouchers - Huggg;
- Housing Property Asset Collection Controls;
- Hove Park;
- Central Hub; and
- Brunswick School.

5.6 In considering the above, it should be noted that follow up reviews of the Corporate Governance Policy Framework and Associated Guidance and Brunswick

School were completed within the year and sufficient progress had been made in implementing actions to enable us to issue updated opinions of reasonable assurance.

5.7 However in addition to the above, as at March 2025 year-end, there were a further three draft reports, not yet finalised, with likely partial assurance opinions:

- Attendance Management;
- Home Purchase Scheme; and
- Temporary Accommodation – Block Booked and Spot Purchase Payments.

5.8 We would also like to highlight that during the course of our work, capacity challenges and service resilience have been raised with us in several areas by management. Whilst this was also raised in previous annual internal audit reports, it is noticeable that this is the second year we have seen the impact of this reflected in audit opinions. We understand that some of these issues have been further compounded by demand on services and ongoing financial pressures resulting in recruitment and expenditure controls.

5.9 Actions arising from all reviews, resulting in partial assurance, will be followed up by Internal Audit, either through specific reviews or via established action tracking arrangements, all of which will be reported to the Corporate Leadership Team and Audit, Standards and General Purposes Committee throughout the year ahead.

5.10 Internal Audit track implementation of all high priority agreed actions and request confirmation from responsible officers that they are implemented by the due date. It is noticeable that during 2024/25 there has been an increase in actions not implemented by their due date, although the position was recovered at year end. These are reported within the quarterly progress reports to the Audit, Standards and General Purposes Committee and key performance indicators. Whilst most actions are implemented within a reasonable time period, any delay in implementation results in an increased period of risk exposure for the organisation.

Key Financial Systems

5.11 Given the substantial values involved, each year a significant proportion of our time is spent reviewing the Council's key financial systems, both corporate and departmental. Of those completed during 2024/25, two of these, Payroll and Accounts Receivable have resulted in only partial assurance being provided over the control environment. This is an area of concern and therefore something that management should be taking prompt action to resolve.

5.12 In the case of payroll, this was the second consecutive audit resulting in partial assurance. Whilst we have seen evidence that activity has taken place to progress some of the agreed actions, it is of concern that implementation of new system solutions, key to addressing many of the issues identified, has taken longer than anticipated and has impacted the outcome of this audit.

5.13 A full audit of Accounts Receivable was in progress at year end and will be reported on during 2025/26.

5.14 All key financial systems that were preceded with a previous partial assurance opinion had a full audit review during 2024/25. We have noted improvement in controls within some key financial systems with the following reviews resulting in reasonable assurance:

- Council Tax;
- Housing Benefit and Council Tax Reduction, and;
- Housing Rents (draft report).

Key Corporate Systems

5.15 It is pleasing to note that although corporate governance policy framework and associated guidance received a partial opinion early in the year, a follow up audit in the last quarter has found that agreed actions have been implemented and concluded a new opinion of reasonable assurance.

5:16 Although the follow up review of corporate health and safety processes resulted in an improved opinion of reasonable assurance, external reviews have highlighted health and safety deficiencies in both social housing and commercial properties. Internal Audit work completed relating to planned and major works in housing resulted in partial assurance, along with two further non-opinion (lessons learnt) reports for Housing Building Safety and New England House, which also identified significant issues in this area. This remains a key risk for the Council and an area that requires clear improvement.

5.17 With regard to Direct Payments, it is important to highlight that this audit had been preceded by a succession of partial opinion reports without sufficient improvement in controls. Whilst we can see that there are now renewed efforts to implement actions aimed at addressing the issues raised, it is of concern that insufficient activity had taken place in response to previously highlighted weaknesses in this area.

5.18 Whilst specific findings have been reported as part of each individual review, we have also identified certain themes across the areas receiving lower assurance levels, in particular, procurement and contract management and project management. These have been highlighted within senior management for consideration as part of wider organisational improvement and development activities.

Other Internal Audit Activity

5.19 During 2024/25, Internal Audit has continued to provide advice, support, and independent challenge to the organisation on risk, governance, and internal control matters across a range of areas. These include:

- Adult Social Care Debt Management Recovery;
- Commissioning of Supported Accommodation;
- Housing Health and Safety Regulations;
- Digital Cityclean Programme; and
- New England House.

And attendance at, and support to:

- Orbis Customer Board/Finance & Resources Lead Business Partners Meetings;
- Governance Assurance Meetings;
- Whistleblowing Co-ordination Meetings; and
- Leadership Network.

5.20 As well as actively contributing to, and advising these groups, we utilise the intelligence gained from the discussions to inform our own current and future work programmes to help ensure our work continues to focus on the most important risk areas.

Anti-Fraud and Corruption

5.21 During the year, the Internal Audit Counter Fraud Team continued to deliver both reactive and proactive fraud services across the organisation. Details of all counter fraud and investigatory activity, both proactive and reactive, have been summarised within a separate Counter Fraud Annual Report due to be presented alongside this Internal Audit Annual Report. Where relevant, the outcomes from this work have also been used to inform our annual internal audit opinion and future audit plans.

Amendments to the Audit Plan

5.22 In accordance with professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. All audits added to and removed from the plan are provided in Appendix D.

6. Internal Audit Performance

6.1 Public Sector Internal Audit Standards (PSIAS), replaced on 1 April 2025 by new Global Internal Audit Standards (GIAS), required the Internal Audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2024/25, including the results of our latest independent PSIAS assessment, an update on our Quality Assurance and Improvement Programme and the year end results against our agreed targets.

6.2 Over the course of the year we have continued to receive positive feedback on a range of completed audit assignments from management within services. The following ‘word cloud’ identifies some of the key, positive phrases used to describe our service and that contributed to a 98% satisfaction rate being recorded in year:

PSIAS

6.3 The Standards cover the following aspects of internal audit, all of which were independently assessed during 2022 by the Institute of Internal Auditors (IIA):

- Purpose, authority, and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme;
- Managing the internal audit activity;
- Nature of work;
- Engagement planning;
- Performing the engagement;
- Communicating results;
- Monitoring progress;
- Communicating the acceptance of risks.

6.4 As reported to Audit Committee in January 2023, Orbis Internal Audit has been assessed as achieving the highest level of conformance available against professional standards, with no areas of non-compliance identified. Our most recent self-assessment against the standards in 2023 found that this continued, with only minor areas for improvement identified. Work is currently underway to complete an updated self-assessment against the new global standards which will be reported to the committee during 2025/26.

Key Service Targets

6.5 Performance against our previously agreed service targets is set out in Appendix A. Overall, client satisfaction levels remain high, demonstrated through the

results of our post audit questionnaires, discussions with key stakeholders throughout the year and annual consultation meetings with senior management.

6.6 Internal Audit will continue to liaise with the Council's external auditors (Grant Thornton) to ensure that the Council obtains maximum value from the combined audit resources available.

6.7 In addition to this annual summary, the Corporate Leadership Team and the Audit, Standards and General Purposes Committee will continue to receive performance information on Internal Audit throughout the year as part of our quarterly progress reports and corporate performance monitoring arrangements.

Appendix A

Internal Audit Performance Indicators 2024/25

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee (2024/25)	By end April	G	2024/25 Internal Audit Strategy and Annual Audit Plan formally approved by Audit and Standards Committee 16th April 2024.
	Annual Audit Report and Opinion (2023/24)	By end July	G	2023/24 Annual Report and Opinion presented to Audit, Standards & General Purposes Committee 25th June 2024
	Customer Satisfaction Levels	90% satisfied.	G	98%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	93.5%
	Percentage of audit plan days delivered	90%		103.5%
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	Dec 2022 - External Quality Assurance completed by the Institute of Internal Auditors (IIA). Orbis Internal Audit 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. November 2023 - Updated self-assessment against the Public Sector

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				Internal Audit Standards completed, the service was found to be fully complying with 319 of the standards and partially complying with 2 of the standards, in both cases proportionate arrangements remain in place. November 2023 - Quality Review exercise completed; no major areas of non-conformance identified. The need to ensure consistency in the quality of the evidence contained within a small number of audit working papers was identified, this will be addressed at the auditor development days during 2024/25.
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures, and Investigations Act	Conforms	G	No evidence of non-compliance identified
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	G	97.1%
Our staff	Professionally Qualified/Accredited	80%	G	90%[2]

[2] *Includes part-qualified staff and those undertaking professional training.*

Appendix B

Summary of Opinions for Internal Audit Reports Issued During 2024/25

Substantial Assurance:
(Explanation of assurance levels provided at the bottom of this document)

Audit Title
Adult Social Care Service Agreements (Residential & Non-residential) - Follow Up
Treasury Management
Microsoft Teams Governance - draft

Reasonable Assurance:

Audit Title
Adult Social Care Financial Assessments - Follow Up
Council Tax – Follow Up
Health & Safety – Follow Up
Parking Enforcement
Information Governance (Subject Access Request & Freedom of Information Reporting Arrangements)
System Change Control & Release Management (Patch Management)
Cyber Security – Response and Resilience
Early Help Services
Apprenticeship Programme
Accounts Payable
Capital Programme – Budgetary Control
Employment Checks – Right to Work
Budget Management Effectiveness of Savings Targets – Follow Up
CareLink – Follow Up
Business Continuity Planning – Follow Up
General Ledger
Risk Management
Payment Card Industry - Data Security Standards Governance Arrangements– Follow Up
Housing Benefit and Council Tax Reduction
Corporate Governance Policy Framework & Associated Guidance – Follow Up
Housing Rents
Mobile Phone Application Management - draft
Balfour Primary School
Queens Park Primary School – Follow Up
Brunswick Primary School – Follow Up

***Partial Assurance*:**

Audit Title
Accounts Receivable (Debtors)
Corporate Governance Policy Framework & Associated Guidance
Off Payroll Working (IR35)
Fleet Management
Direct Payments
Housing Planned & Major Works
Prepayment Vouchers - Huggg
Housing - Property Asset Collection Controls
Contract Management Compliance – Facilities & Buildings Services
HR/ Payroll
Home Purchase Scheme - draft
Temporary Accommodation – Block Booked & Spot Purchase Payments- draft
Attendance Management - draft
Hove Park School
Brunswick School
Central Hub

***Minimal Assurance*:**

Audit Title
None

Non-Opinion:

Audit Title
Adult Social Care Debt Management & Recovery
Commissioning of Supported Accommodation
Housing Health & Safety Regulations
Digital Cityclean Programme
New England House

Grant Certification:

Grant Title
Library On Grant
Supporting Families Programme Grant (4 Quarterly Reviews Q4 2023-24 to Q3 2024-25)
Bus Subsidy
Local Transport Capital Block Funding
Traffic Signals Obsolescence Grant

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Appendix C

2024/25 Audit Plan – Audits in Progress at Year-End

Audit Title	Status
Transition Of Local Enterprise Partnership	Fieldwork in progress
Inclusion Support Service	Fieldwork in progress
Public Health Contract Management	Fieldwork in progress
Home Care Contract Management	Fieldwork in progress
Accounts Receivable	Fieldwork in progress
Brighton Centre - Cultural Compliance	Fieldwork in progress
IT &D Project Management	Fieldwork in progress
Supply Chain Cyber Security	Fieldwork in progress
Hove Park School – Follow up	Fieldwork in progress
St Andrews School	Fieldwork in progress
Home Purchase Scheme	Draft report
Attendance Management	Draft report
Temporary Accommodation Block Booked and Spot Purchase Payments	Draft report
Mobile Phone Application Management	Draft report
Microsoft Teams Governance	Draft report

Appendix D

Audits added to and removed from the plan during 2024/25.

Audits Added:

Audit Title	Rationale for Addition
General Ledger	The audit was deferred from 2023/24 and was included to provide assurance before the development and implementation of updates to back-office systems.
Building Health & Safety Regulations Housing	Provided advice work around new building regulations and progress towards compliance.
Property Asset Collection Controls in Housing	Included to provide assurance that appropriate controls are in place following an incident where cash was found during clearance of a Council owned property.
Payment Card Industry Data Security Standards follow up	Follow up audit was required following partial assurance audit opinion in 2023/24
Transition of Local Enterprise Partnership	To provide assurance that the transition of the Local Enterprise Partnership has robust governance arrangements in place during and following the transfer of responsibilities and assets to Local Authorities.
New England House	Request from the Chief Executive to provide a lessons learnt review following the decision to temporarily close New England House, a Council owned property hosting business tenants, due to concerns regarding fire safety.
Temporary Accommodation Block Booked and Spot Purchase Payments	Following a whistleblowing allegation the objective of this focussed review was to provide assurance that the controls for payments, reconciliations and overpayments for suppliers of interim accommodation are in place and are operating as expected.
Accounts Receivable (Debtors)	To review the processes and key controls relating to the accounts receivable system. This audit was added to the plan following the earlier partial assurance opinion.

Audits Removed/Deferred:

Audit Title	Rationale for Removal
Property Maintenance Budget	Replaced by contract management compliance audit (already in the 2024/25 audit plan) for property services.
Complex Care Placements for Children, Health, SEN & Disabilities	Removed from the plan for 2024/25. Will be considered as part of a wider review of commissioning for future audit plans.

Employment Checks, Disclosure and Barring Service	This audit has been deferred to the 2025/26 audit plan to allow time for a review of posts held in the human resources system (PIER) which require this check.
Procurement Regulatory Changes	With the deferral of implementation of new contract standing order regulations this review will be included in the 2025/26 audit plan.
Adult Social Care Joint Funding Arrangements	Removed from the plan for 2024/25 due to resource constraints delaying its progress and agreement that this was not a key risk area. This area of review will be considered for future audit plans.
Artificial Intelligence	This audit has been deferred to the 2025/26 audit plan to allow the authority to introduce new policy, procedures and governance arrangements relating to the use of Artificial Intelligence.
IT Asset Records Management	Removed from the plan as it was superseded by higher priority audits. This area of review will be considered for future audit plans.

Appendix 2

Internal Audit and Counter Fraud Quarter 4 Progress Report 2024/25

CONTENTS

1. Summary of Completed Audits
2. Counter Fraud and Investigation Activities
3. Action Tracking
4. Amendments to the Audit Plan

Brighton & Hove City Council

1. Summary of Completed Audits

Housing Rents

1.1 Housing rents, which are set annually in accordance with government policy, are paid by tenants of council-owned properties. The council's social landlord duties cover approximately 12,000 rented properties, 2,900 leasehold properties and 3,000 car parks and garages, with the Housing Revenue Account (HRA) containing income and expenditure relating to these properties.

1.2 As part of our planned work for 2024/25 we agreed with management to undertake a full audit of housing rents. A previous review of housing rents reported in June 2022 concluded a Partial Assurance opinion. The subsequent follow-up audit of this work, in December 2023 also concluded Partial Assurance. The scope of this latest audit included reviewing whether previous agreed actions had been implemented and were operating as expected.

1.3 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Policies and procedures in relation to rent collection and arrears management are in place, up to date and communicated to relevant parties;
- Processes are in place to ensure the accurate calculation of annual rents;
- Efficient and effective processes operate over rent collection and recovery of overdue rents;
- Tenancy changes are accurately and promptly recorded; and
- Key systems reconciliations are in place and are operating effectively.

1.4 We were able to provide an improved opinion of **Reasonable Assurance** as we saw evidence that actions in relation to high-risk findings identified in our previous audit work, particularly regarding management of arrears, have now been implemented. Rent accounts were also found to be accurate and up to date, and were created and ended promptly, in line with tenancy dates. Payments received were accurately and promptly posted to the relevant rent account, with system reconciliations taking place.

1.5 Escalation policies to manage tenant arrears have recently gone live. Whilst over 4000 arrears actions have been generated in the system since the policies went live, at the time of our audit work, the majority of these were pending officer review for appropriateness. Information from this review will be used to assess the suitability of actions generated, and the extent to which this process can be automated going forward.

1.6 There were some opportunities to further improve the control environment, including ensuring that the service:

- Determines clear standards relating to the management of the suspense account, to minimise delays in payment allocation;

- Reviews the former Tenant Arrears procedure and strengthen operational capacity for regular write-offs to occur; and
- Reviews the refund process to ensure evidence is retained, quarterly monitoring reports are run, and consideration is given to expanding the number of managers who can approve refunds.

1.7 A formal action plan has been agreed with management to address these findings.

Housing Benefit and Council Tax Reduction

1.8 Housing Benefit and Council Tax Reduction are administered by Welfare Revenues and Business Support. In 2017, Housing Benefit was replaced by Universal Credit for all new claimants and as such most people who are of working age now claim through Universal Credit instead of Housing Benefit. The 2024/25 budget for Housing Benefit is £101.3 million, which is down by £12.4 million from the previous financial year. The Team also processes claims relating to Council Tax Reduction which may be available for those on low incomes.

1.9 The Department of Works and Pensions (DWP) is pro-actively moving claimants across to Universal Credit, with over half of working age claimants now receiving this benefit and it is expected that all relevant claimants will be assessed for Universal Credit and notified by March 2026. As the Housing Benefit Subsidy received from the DWP reflects the number of Housing Benefit claimants, with diminishing cases, this will have an effect on the amount received by the Council in 2025/26.

1.10 This audit, which forms part of the agreed Internal Audit Plan for 2024/25, assessed the Housing Benefit and Council Tax Reduction controls to ensure that benefits are accurately and promptly paid to those with a legitimate entitlement. The review also assessed the progress made in implementing the agreed actions from the previous October 2023 Partial Assurance Internal Audit report covering this area.

1.11 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Initial claims for Housing Benefit and/or Council Tax Reduction are processed accurately, timeously, and have appropriate supporting evidence;
- Ongoing claims are paid correctly, based on accurate, up-to-date information;
- Overpayments are correctly calculated and recovered in full where possible. Any write-offs are appropriately authorised; and
- Regular reconciliations are undertaken of the Benefits System to Housing Rents, General Ledger and Council Tax.

1.12 Due to automation and the DWP pro-actively moving claimants across to Universal Credit, the service has had capacity to make significant progress with addressing backlogs. As the previous opinion was reached based primarily on the backlog issues and their implications rather than systemic internal control weaknesses, we have revised our opinion and have provided **Reasonable Assurance** over the controls operating within the area under review.

1.13 There were some opportunities to further improve the control environment, including:

- Increasing automation and improving the speed and efficiency of processing claims and changes to circumstances, whilst taking into account accessibility issues;
- Further reduce the overpayments backlog, where the debtor is not already in an active repayment plan; and
- Increase benefits expertise into the frontline council tax administration to manage changes in circumstances and the impact on direct debit payments and arrears for residents.

1.14 A formal action plan has been agreed with management to address these findings.

General Ledger

1.15 The Council's general ledger records all financial transactions received and made by the Council. It is essential in producing the annual accounts and financial returns for the Council. Maintaining an accurate general ledger is imperative for forecasting and budgeting activities, holding even more significance in the current challenging financial climate.

1.16 This review was part of the agreed Internal Audit Plan for 2024/25 and was included to provide assurance before key financial systems are updated as part of the Corporate Services Improvement Programme.

1.17 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Comprehensive guidance, procedures and training notes, as well as financial regulations, are in place for the operation of the general ledger in accordance with statutory guidance and accounting standards;
- Transactions in the feeder systems are completely and accurately transferred to (or are reflected in) the general ledger;
- Journals are appropriately described, authorised, complete and valid;
- Suspense and holding accounts are monitored; entries are investigated, and appropriate action taken to resolve in a timely manner;
- The structure of the main accounting system reflects the structure of the organisation; and
- Bank reconciliations are regularly prepared by an independent finance officer with evidence of separation of duties and with a review of the reconciliation by an appropriate senior officer.

1.18 We were able to provide an opinion of **Reasonable Assurance** as controls are in place, including that financial rules and regulations are defined and suitably communicated, journal entries are clear and sufficiently detailed, and bank reconciliations are undertaken regularly.

1.19 There were some opportunities to further improve the control environment, including:

- Reviewing training needs and materials and providing these to staff;
- Clarifying and documenting processes for setting up new cost centre and detail codes, and for the monthly reconciliation's; and
- Review and migrate documentation to SharePoint.

1.20 A formal action plan has been agreed with management to address these findings.

Risk Management

1.21 Risks to the Council delivering its objectives are recorded and managed at a strategic level and within directorates. Risk registers are subject to review by Directorate Leadership Teams, the Corporate Leadership Team and Cabinet as appropriate.

1.22 At the time of the audit, risk management processes and the way the Council records risk were in the process of being reviewed as part of refreshing the Council's Risk Management Framework. We acknowledge that these developments also come at a time of an organisational redesign within the Council, which results in the additional challenge of keeping documents and registers up to date due to the change in directorates and officers.

1.23 This review formed part of the agreed Internal Audit Plan for 2024/25, and the purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- 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; and
- Robust reporting arrangements are in place to allow for effective senior officer and Member oversight.

1.24 In recognition that directorate risk processes were in development at the time of the audit, these were excluded from the review but will be reviewed in the scheduled 2025/26 risk management audit.

1.25 We were able to provide an opinion of **Reasonable Assurance**, with the Council's Risk Management Framework containing key elements, and being appropriately reviewed. Strategic risks are subject to appropriate oversight and review, including identification of new risks. Work has also been commenced to help understand and develop the organisation's risk appetite.

1.26 There were some opportunities to further improve the control environment, including the following:

- Development of an overarching risk appetite statement;

- Reviewing and updating training on risk management; and
- Working with risk action leads to ensure actions are specific, measurable, achievable, relevant and time-based.

1.27 A formal action plan has been agreed with management to address the improvements identified in this review.

Corporate Governance Policy Framework and Associated Guidance – follow up

1.28 Local government is required to operate through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes (policies and procedures). This framework is intended to be followed as best practice for developing and maintaining a local code of corporate governance and for discharging accountability for the proper conduct of public business. The publication of an Annual Governance Statement makes the adopted practice open and explicit. A strong corporate governance framework will ultimately foster a stable and inclusive organisational culture and help enable the Council to achieve its objectives and deliver services.

1.29 A review of Corporate Governance Policy Framework and Associated Guidance, undertaken as part of the agreed audit plan for 2023/24, focussed on the completeness, accuracy, quality and timeliness of the documentation available, and the extent of awareness of this amongst management and staff. The audit report concluded a Partial Assurance opinion.

1.30 As part of our planned work for 2024/25 we agreed with management to undertake a follow up review to assess and provide assurance on the progress made in implementing the agreed actions from the previous review.

1.31 We have now been able to provide an opinion of **Reasonable Assurance** as we saw evidence that six of the eight actions agreed in the previous report have been fully or partially implemented, including an updated whistleblowing policy and a substantial reduction in the average number of days for cases to be closed.

1.32 Two findings were repeated in this follow up, including adding a concluding statement to the Annual Governance Statement of the Council's opinion of its governance arrangements and also ensuring that staff are able to access clear information on governance on the Council's intranet.

1.33 Actions to address these outstanding areas were agreed with management within a formal management action plan.

Business Continuity Planning – follow up

1.34 The Civil Contingencies Act 2004 places a statutory duty on local authorities, as a category one responder, to develop, maintain and test business continuity plans. During 2023/24 we completed an audit of Business Continuity Planning, which concluded Partial Assurance.

1.35 As part of our planned work for 2024/25 we agreed with management to undertake a follow-up review to assess and provide assurance on the progress made in implementing the agreed actions from the previous review.

1.36 In completing this review, we are pleased to report that we were able to provide an improved opinion of **Reasonable Assurance**.

1.37 Whilst the direction of travel in many areas was positive, with the majority of actions having been implemented in full, there were some areas where further improvement was still required. This included the appropriate approval of key business continuity documentation, the identification and implementation of lessons learned (from tests) to ensure plans are robust, and maintaining training records to ensure officers with key roles in this area are able to fulfil these.

1.38 Actions to address these outstanding areas were agreed with management within a formal management action plan.

Payment Card Industry Data Security Standards – follow up

1.39 Payment Card Industry Data Security Standards are designed to ensure that all organisations that accept, process, store or transmit payment card information, maintain a secure environment. The standards provide specific, actionable guidance on protecting payment card data. The Council processes income for multiple services through debit and credit card transactions and is required to comply with these standards in order to continue to accept card payments.

1.40 As part of our planned work for 2024/25 we agreed with management to undertake a follow up review of this audit that concluded Partial Assurance in 2023/24. This follow-up review assessed and provided assurance on the progress made in implementing the agreed actions from the previous audit report. In completing this review, we were able to provide an improved opinion of **Reasonable Assurance**.

1.41 Whilst the majority of actions were either implemented in full or were in the process of being implemented, there were some areas where action was still required following the completion of a pilot programme. This included ensuring there is recorded approval and version control of key documentation, published guidance regarding procuring a new payment system, and training is further developed in this area.

1.42 Actions to address these outstanding areas were agreed with management within a formal management action plan.

HR/ Payroll

1.43 Payroll is one of the largest areas of expenditure for the Council. In September 2024 there were approximately 9,600 payments to employees, totalling circa £16.9m (net payments).

1.44 As a key financial system, this audit is conducted on a cyclical basis and was included on the 2024/25 audit plan. A previous review in 2023/24 concluded Partial Assurance, with the scope including reviewing whether previous agreed actions had been implemented and were operating as expected.

1.45 The purpose of this latest audit was to provide assurance that controls are in place to meet the following objectives:

- Only genuine starters are set-up, approved and paid accurately calculated from the correct date;
- Leavers are removed from the payroll in a timely manner and paid correctly and accurately to the correct dates;
- Permanent variations to pay accurately reflect employees' grades and/or changes to their contracts, calculated and paid from the correct dates;
- Pay runs and BACS transmissions are correct and authorised;
- Payroll data is accurately reflected in the General Ledger;
- Temporary payments (including additional hours, expense claims and payment to casual staff) are only made for hours worked and expenses incurred legitimately as a result of employment;
- Changes to standing data are reviewed, authorised and input accurately;
- Enquiries are responded to, and information is acted upon, in a reasonable timeframe; and,
- Accurate details provided to the East Sussex Pension Fund in line with the requirements of the Fund.

1.46 It was clear that there had been improvement since the previous 2023/24 audit, and notably the pension data submissions were up to date at the time of the audit review and oversight of the backlog had improved. However, we were still only able to provide an audit opinion of **Partial Assurance** overall as a number of issues have persisted, and efforts to address backlogs had been hampered by a delay in delivery of a system solution for document management. It is also clear that capacity within the team at the time of the audit could lead to a single point of failure risk occurring.

1.47 Actions have been agreed with management to address identified risks from the review and improve the control environment. They include the following:

- Introduction of an interim manual process across the team in order to address the backlog of queries, prior to the introduction of an electronic document management system;
- Delivery of training sessions in order to increase resilience across the team;
- Reviewing payroll processes, ensuring sufficient detail is captured as part of processes and development of guidance across the team for payroll specific processes;
- Changing the corporate leaver process to remove the multiple approval levels prior to being actioned;

- Working with colleagues to identify the root cause of variances identified and providing Finance colleagues with a breakdown of costings to undertake reconciliations to the General Ledger;
- Updating guidance to ensure recording of Disclosure Barring Service certificates are compliant;
- Ensuring all information required to be held in personnel files is present and correct; and
- Issuing periodic notices to officers across the Council reminding them of the correct process for submitting and authorising mileage claims.

1.48 The implementation of actions agreed to mitigate these risks will be reviewed as part of the 2025/26 HR/ Payroll audit.

Contract Management Compliance – Facilities and Building Services

1.49 Previous audits of contract management compliance across the organisation have identified the need for improvement. Whilst a robust contract management framework is in place, compliance with it was found to be weak. Following our previous review in this area, the Procurement Team responded with training and communications to help raise awareness across the Council.

1.50 It was agreed with management as part of the Internal Audit Plan for 2024/25, that as a continuance of this work, we would review compliance with the contract management framework within service areas. As an area that regularly manages contracts, Facilities and Building Services was chosen as an area to examine. The audit focused on a sample of suppliers to whom a high value of payments (over £500,000) had been made, assessing whether promotion of the Framework has led to an increase in compliance and resultant robust management of high-value contracts.

1.51 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Governance arrangements, including corporate oversight, monitoring and reporting are effective in delivering the required outcomes;
- Financial controls ensure that the contract is delivered to budget, and payments are only made for goods, works or services actually provided;
- Arrangements ensure that any problems are resolved, with propriate remedies invoked, in accordance with contractual requirements;
- Risk management and business continuity arrangements ensure continuing service provision; and
- Only necessary variations are made.

1.52 We were only able to provide an opinion of **Partial Assurance** as compliance with a number of areas of the Contract Management Framework could not be evidenced and it was clear that use of the framework is not embedded within the service.

1.53 Actions have been agreed with management to address identified risks from the review and improve the control environment, as follows:

- Communication will take place with contract managers to signpost them to the Contract Management Framework and associated documentation. Opportunities for contract managers to receive training on the framework will also be explored. The service will embed use of the Framework and documentation, initially for new contracts;
- Management will ensure staff involved in the procurement of contracts understand the requirements of Contract Standing Orders for certain contracts to be published, and for services to update the Procurement Team should a change of contract manager occur;
- An annual reminder will be sent requesting that staff involved in procurement duties complete a declaration of interest which will be reviewed, with suitable mitigations identified where needed.

1.54 Due to the Partial Assurance opinion, we will complete a follow up review to assess the extent to which these actions have been implemented. We will also include further contract management compliance audits for other services.

Property Asset Collection Controls

1.55 The Housing Service approached Internal Audit for advice regarding an instance where a substantial amount of cash was discovered in a Council property, following the death of the tenant. Whilst staff were striving to do the right thing, safeguarding the cash until it could be returned to the legal beneficiary, there were uncertainties in responsibilities and how the cash should be secured and processed.

1.56 It also became clear that similar incidents have occurred, where staff have been asked to accept responsibility to safeguard valuables (including cash) in both Housing and Adult Social Care services. Council staff in these circumstances are placed in a potentially vulnerable position and clear processes are therefore required to help safeguard them from allegations of misappropriation.

1.57 This audit was agreed, as an addition to the 2024/25 plan, to provide assurance that processes and controls are in place and are being followed where assets/valuables are discovered in vacated housing stock.

1.58 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Where assets found within vacated Council housing stock, become the responsibility of the Council, they are timeously itemised and logged, with any of notable value flagged;
- Valuable assets recovered from Council stock are stored securely at all times whilst in the Council's possession, with cash banked as soon as practicable;
- The Council endeavours to promptly direct valuable assets recovered from Council stock to the correct legal recipient.

1.59 We were only able to provide an opinion of **Partial Assurance** as current procedures do not currently cover the wide range of routes disposal of assets can take, nor the roles and responsibilities of the multiple involved parties. Actual practice was also found to not align with that documented. Actions have been agreed with management to address identified risks from the review and improve the control environment, as follows:

- A cross-service working group will be established to facilitate updating of procedures in line with corporate policy and to provide a consistent approach across frontline services. An accompanying implementation plan and communication plan will also be developed;
- Update of procedures will include determination of how to identify the suitable recipient of assets on a tenant's death, and processes for sale of assets where appropriate; and
- The inventory template will be reviewed and standardised.

1.60 Due to the Partial Assurance opinion, we will complete a follow up review to assess the extent to which the agreed actions have been implemented.

Schools

1.61 We have a standard audit programme in place for all school audits, with the scope of our work designed to provide assurance over key controls operating within schools. The objectives of our work are to ensure that:

- Governance structures are in place and operate to ensure there was independent oversight and challenge by the Governing Body;
- Decision making is transparent, well documented, and free from bias;
- The school is able to operate within its budget through effective financial planning;
- Unauthorised or inappropriate people do not have access to pupils, systems, or the site;
- Staff are paid in accordance with the schools pay policy;
- Expenditure is controlled and funds used for an educational purpose;
- The school ensures value for money on contracts and larger purchases; and,
- All voluntary funds are held securely and used in accordance with the agreed purpose.

1.62 One school and the Central Hub pupil referral unit audit were finalised in quarter 4. The table below shows details, together with the final level of assurance reported to them.

Name of School	Audit Opinion
Brunswick Primary School – follow up	**Reasonable Assurance** The previous Partial Assurance audit had 15 findings and agreed actions. For the follow up review we found significant improvement to the control environment.
Central Hub Brighton (Pupil Referral Unit)	**Partial Assurance** Areas requiring improvement included: • Improving expenditure controls and oversight of expenditure; • Completing HMRC's online Check for Employment Status for Tax checklist to verify employment status for individuals engaged to provide services; • Ensuring contractors have the correct level of public liability insurance; and • Ensuring statutory reporting is up to date on the school website.

1.63 We aim to undertake follow-up audits at all schools with Minimal Assurance opinions. For Partial Assurance opinions we will undertake a follow up review or alternatively write to the Chair of Governors to obtain confirmation that recommendations have been implemented.

1.64 The core financial role of the LA is to set and monitor a local framework, including provision of budgetary information, provision of a financial oversight and ultimately intervening where schools are causing financial concerns. Schools (the governing body and the Headteacher) are required to manage their delegated budget effectively ensuring the school meets all its statutory obligations, and through the Headteacher comply with the LA's Financial Regulations and Standing Orders.

Grant Certifications and Non-Opinion Work

New England House

1.65 The Chief Executive requested that Internal Audit carry out a lessons learnt review following receipt of a report from fire safety consultants stating there were critical deficiencies in the building New England House that led to its temporary closure by the Council. New England House is a Council owned property hosting 99 business tenants.

1.66 The aim of the lessons learned review was to help the Council understand how this situation had arisen and identify improvements that could be made to avoid future repetition.

1.67 Given the commercially sensitive nature of the issues identified, we are unable to share the findings in full, however we provided the following recommendations for management to consider:

- All staff involved in contract management should undertake relevant training to ensure they fully understand their roles and responsibilities relating to the management of contracts;
- In the case of all projects, appropriate and proportionate project management disciplines should be applied, in line with organisational standards. As a minimum, this should include fundamentals such as a project brief and project plan with timescales, roles and responsibilities and resources clearly defined;
- The Council should consider mechanisms for helping to ensure that all staff, whether working on defined projects, or delivering business as usual activities, understand their responsibilities with regard to raising concerns and escalating issues of importance. This may be through establishing guidance and embedding behaviours within the organisational culture;
- For all projects, appropriate arrangements should be put in place to ensure that all relevant project records and documentation are retained and accessible, possibly through a relevant SharePoint site. This will enable an audit trail of project activity and decision making and will help ensure continuity of record keeping in the event of staff turnover;
- Given the costs involved, care should be taken to ensure that external surveys and reports are only commissioned where there is an appropriate need. Where such reports are received, management should ensure that appropriate action is taken in response to any findings and recommendations; and
- Staff should arrange a full consultation with all relevant commercial parties, and East Sussex Fire and Rescue Service, in order to come to a definitive view as to the fire safety concerns at New England House. Any actions required as a result should be immediately addressed in order to ensure the building is safe for continued use.

1.68 A separate report is provided to this committee from the Corporate Director of City Operations which includes a management response to the recommendations.

Supporting Families Grant

1.69 The Department of Levelling Up, Housing and Communities (DLUHC) requires Internal Audit to verify a proportion (5-10%) of outcome submissions made by the Local Authority for Supporting Families (SF) Programme, using the updated national Outcomes Framework (October 2023 – March 2025).

1.70 We reviewed 10 of the 73 submissions made under the Outcomes Framework in the previous quarter (October to December 2024) during quarter 4 and confirmed that these have been subject to appropriate quality assurance checks and no significant issues were identified.

2. Proactive Counter Fraud Work

Counter Fraud Activity

2.1 The team continue to monitor intel alerts and share information with relevant services when appropriate.

2.2 In addition, the team are continuing to review matches released as part of the National Fraud Initiative. High risk matches will be prioritised for investigation and support provided to services reviewing the reports.

Summary of Completed Investigations

Supplier Fraud

2.3 Following an allegation that a supplier was inflating prices and volume of work completed, Internal Audit undertook an investigation analysing supplier spend and work billed. The investigation did not find any evidence to substantiate the allegations or of wrongdoing, however, the investigation did find issues with non-compliance with Council Standing Orders and agreed actions to improve compliance with procedures.

Overclaiming of Overtime

2.4 Following a referral from management of an employee potentially overclaiming overtime, an investigation found that the employee had overclaimed £210.42. The employee resigned and the overpayment was recovered from their salary.

Misconduct

2.5 Internal Audit supported management with an investigation into an allegation that an employee of the Council was also undertaking employment in a Council care home through an agency. The investigation upheld the allegation, and the employee resigned during the disciplinary process.

Overclaiming of Overtime

2.6 Following an allegation that an employee was double claiming bank holiday pay, Internal Audit undertook an investigation reviewing overtime claimed against work rotas. The investigation found that the employee had overclaimed bank holiday pay, but that guidance and procedures were not clear and robust. Recovery of overpayment of £1,348 was made and a letter of expectation issued. Actions were agreed with management to improve the scheduling of work rotas and ensure clear guidance was in place for claiming additional and enhanced hours.

Conflict Of Interest

2.7 Internal Audit received an allegation that an employee of the Council had failed to declare a close relationship with a supplier, and which resulted in the unfair award of work to the supplier. The investigation found no evidence of wrongdoing but did find control weaknesses in relation to procurement and contract management. Actions were agreed to address weakness and ensure compliance with Contract Standing Orders.

Misuse of Public Funds

2.8 Following the departure of an employee, Internal Audit received an allegation that goods had been ordered which did not meet the required specifications. Following an investigation, it was not possible to evidence that a robust procurement process had been followed. Actions were agreed to ensure Contract Standing Orders were followed for future procurement.

Housing Tenancy Fraud

2.9 The Tenancy Fraud Team continue to investigate allegations of potential subletting. We work closely with Housing managers and officers for a joined-up approach to allegations of abandonment with an increasing emphasis on visits and communication with tenants to increase awareness and reiterate a tenant's responsibility under their tenancy agreements.

2.10 A pilot proactive campaign undertaken in 2024 reviewed a sample of 1,000 tenancy records using data matching with external credit referencing and resulted in a property being recovered after it was identified that the tenant was not using the property as their main and principal home.

Council Tax Fraud

2.11 The Team continues to investigate allegations of false claims for Single Person Discount (SPD) and Council Tax Reduction Support (CTRS).

Fraud Area	(£) 2024/25	(£) 2023/24	(£) 2022/23	(£) 2021/22
Properties Recovered	930,000	558,000	186,000	279,000
Housing Application Withdrawn	359,772	-	-	-
Homeless Application Withdrawn	-	-	-	-
Right-To-Buy Withdrawn	102,400	-	-	-
SPD Removed	5,559	8,625	511	9,746
Revenues Exemption Removed	2,947			
CTRS	4,659	440	406	-
Housing Benefit	-	3,853	3,658	-
Business Rates	-	-	-	-
Total	**1,405,337**	**570,918**	**190,575**	**288,746**

3 Action Tracking

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. When high priority actions become due, we seek confirmation from service management that actions have been implemented. At the end of quarter 4, we can report that 97% of high priority actions due, have been confirmed as implemented by management.

3.2 A number of high priority actions have had their implementation deadlines extended, in agreement with management. Where the revised deadlines are not met, these will be reported to the next meeting of the Audit & Standards Committee.

4 Quarter 4 Amendments to the Audit Plan

4.1 In accordance with proper professional practice, the Internal Audit plan for the year has been kept under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management the following audits have been added to the audit plan this quarter:

Planned Audit	Rationale for Addition
Accounts Receivable (Debtors)	To review the processes and key controls relating to the accounts receivable system. This audit was added to the plan following the earlier Partial Assurance opinion.

4.2 In order to allow these additional audits to take place, the following audits have been removed or deferred from the audit plan and, where appropriate, will be considered for inclusion in future audit plans as part of the overall risk assessment completed during the annual audit planning process. These changes have been made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits:

Planned Audit	Rationale for Removal
Adult Social Care Joint Funding Arrangements	Removed from the plan for 2024/25 due to resource constraints delaying its progress and agreement that this was not a key risk area. This area of review will be considered for future audit plans.
Artificial Intelligence	This audit has been deferred to the 2025/26 audit plan to allow the Authority to introduce new policy, procedures and governance arrangements relating to the use of Artificial Intelligence.

IT Asset Records Management	Removed from the plan as it was superseded by higher priority audits. This area of review will be considered for future audit plans.

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Brighton & Hove City Council

Audit, Standards and General Purposes Committee

Agenda Item 10

Subject: **Counter Fraud Annual Report 2024/25**

Date of meeting: **24th June 2025**

Report of: **Corporate Director Finance and Property**

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Ward(s) affected: **All**

For general release

1. Purpose of the report and policy context

1.1 The report provides members with an update on all counter fraud activity completed during 2024/25.

2. Recommendations

2.1 The Committee note the fraud activity completed during 1st April 2024 to 31st March 2025.

3. Context and background information

3.1 The Council's Internal Audit team investigates allegations of fraud and irregularity against the Council and is committed to upholding the Council's Anti-Fraud and Corruption Strategy 2022-24. The Council's strategy is aligned to the Fighting Fraud and Corruption Locally Strategy which is the governments 'blueprint' for tackling fraud in Local Government.

3.2 Within Internal Audit, the Counter Fraud Partnership Team comprises four auditors with counter fraud expertise who work across all departments and three tenancy fraud investigators. Together they provide a dedicated proactive counter fraud and responsive investigation function. It also works on behalf of the Council to ensure that its counter-fraud arrangements are robust by raising awareness of fraud risk, reviewing and improving fraud risk management arrangements, using data to actively identify fraudulent activity, and monitoring the extent to which the Council is impacted by fraud. Where fraud is suspected or identified, the team provides a professional investigation service and advises on control measures that will prevent recurrence.

3.3 The Counter Fraud Annual Report outlines:

- Details of the work undertaken during the period 1st April 2024 to 31st March 2025;
- Outcomes from investigation activities; and
- Other counter fraud activity.

4. Analysis and consideration of alternative options

4.1 The report highlights key issues for the year, including a summary of investigations and proactive work.

5. Community engagement and consultation

5.1 The annual report has been informed by counter fraud work carried out during the year which has included engagement with officers.

6. Financial implications

6.2 There are no direct financial implications arising from this report. Counter Fraud activities were delivered within existing budgetary resources.

Name of finance officer consulted: Haley Woollard Date consulted: 22/05/25

7. Legal implications

7.1 The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account Public Sector Internal Audit Standards. Reviewing the work planned and completed by the Council's internal audit function is a key part of the Audit and Standards Committee's delegated functions.

Name of lawyer consulted: Victoria Simpson Date consulted 27/05/2025

8. Risk implications

8.1 Counter fraud investigations are responding to allegations that may mean that a risk has been realised and that controls are not in place or not working as expected to mitigate and manage the risk. Alongside investigation reports, the team produce Internal Control reports where appropriate, to identify where controls have either failed or are not in place and actions are agreed with management to improve the control environment and management of risk.

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.

12. Conclusion

12.1 The Committee is asked to note the report.

Supporting Documentation

1. Appendices

1. Counter Fraud Annual Report 2024/25

Appendix 1

INTERNAL AUDIT COUNTER FRAUD ANNUAL REPORT 2024/25

Brighton & Hove City Council

1. Introduction

1.1 The Council's Financial Regulations require all officers and Members of the Council to notify the Chief Internal Auditor of any matter that involves, or is thought to involve, corruption or financial irregularity in the exercise of the functions of the Council. Internal Audit will in turn pursue such investigations in line with the Anti-Fraud and Corruption Strategy 2022-24.

1.2 Within the Orbis Internal Audit Service, the Counter Fraud partnership team provides resource and experience to support the Council with both proactive and responsive support relating to any instances of financial irregularities and fraud related risks.

1.3 The annual Internal Audit Plan for 2024/25 carried within it a contingency budget for 'Irregularity and Special Investigations' of 120 days, and this was increased in-year to 187 days. This contingency covered time to investigate 'irregularities' (actual or alleged financial impropriety, corruption, and other similar matters) as well as time for proactive counter fraud work and to support the National Fraud Initiative (NFI), detailed in the latter part of this report.

1.4 Internal Audit reports following irregularity investigations typically help to provide independent evidence to support (or not) a management case against an employee under formal disciplinary procedures, to support potential criminal prosecutions and to help strengthen controls in areas where weaknesses are identified. Irregularity audit reports are not subject to the same distribution as general audit reports due to their confidential and sensitive nature.

2. Summary of Investigations between 1 April 2024 and 31 March 2025

Resources

2.1 During the 2024/25 financial year, a total of 7 Internal Audit officers charged time to work on irregularity investigations amounting to 195 days.

2.2 The Counter Fraud team also monitors the Anti-Fraud inbox and a BHCC Confidential Reporting email address, giving advice to members of staff on whistleblowing, and signposting to other departments where required.

Number and Types of Investigations

2.3 A total of 75 allegations were received in the financial year (38 in the first half of the year and 37 in the second half). For comparison, 37 allegations were received in the previous financial year.

2.4 New allegations were brought to the attention of Internal Audit by the following methods:

- 28 were raised by Council management;
- 20 originated from an external source to the Council;
- 19 were raised by employees;
- 8 were raised through confidential reporting.

2.5 Full details of the categories by which fraud and irregularity investigations are reported are attached at Appendix A. All proven fraudulent or irregular behaviour by

officers may be considered misconduct; similarly, poor controls increase the likelihood of fraud occurring. The categories therefore reflect alleged specific types of fraud or irregularity.

2.6 The number of all recorded allegations across the Council's directorates is shown in Figure 1, while Figure 2 shows the categories of allegations received.

Figure 1. Allegations by directorate from 1 April 2024 to 31 March 2025

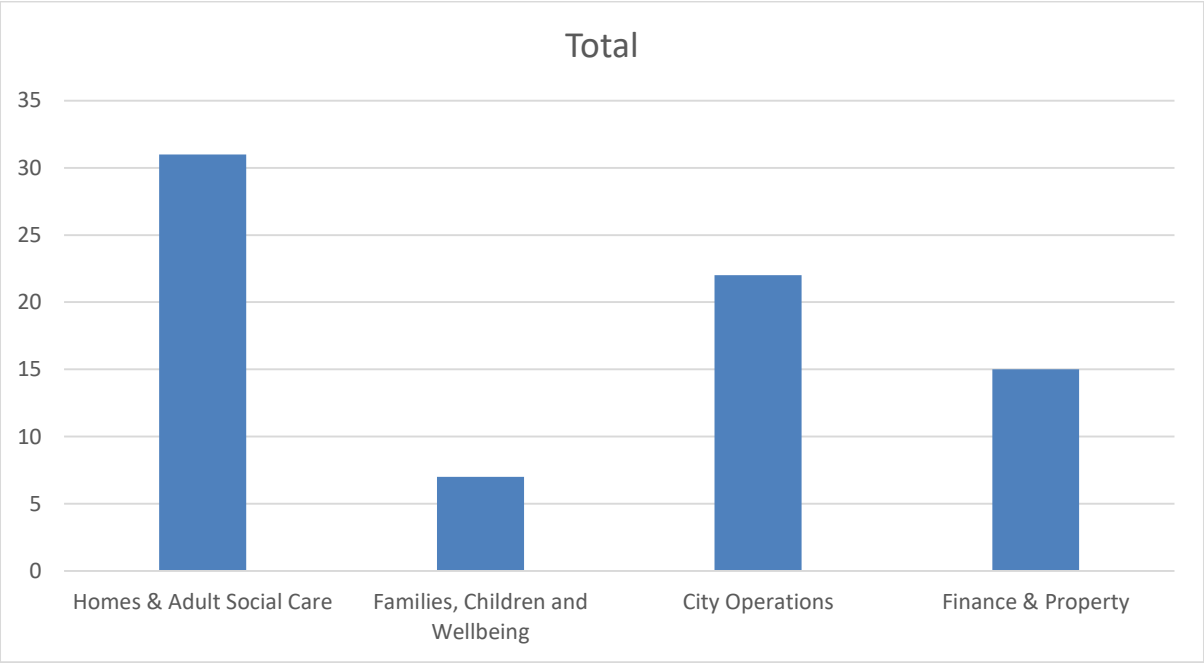
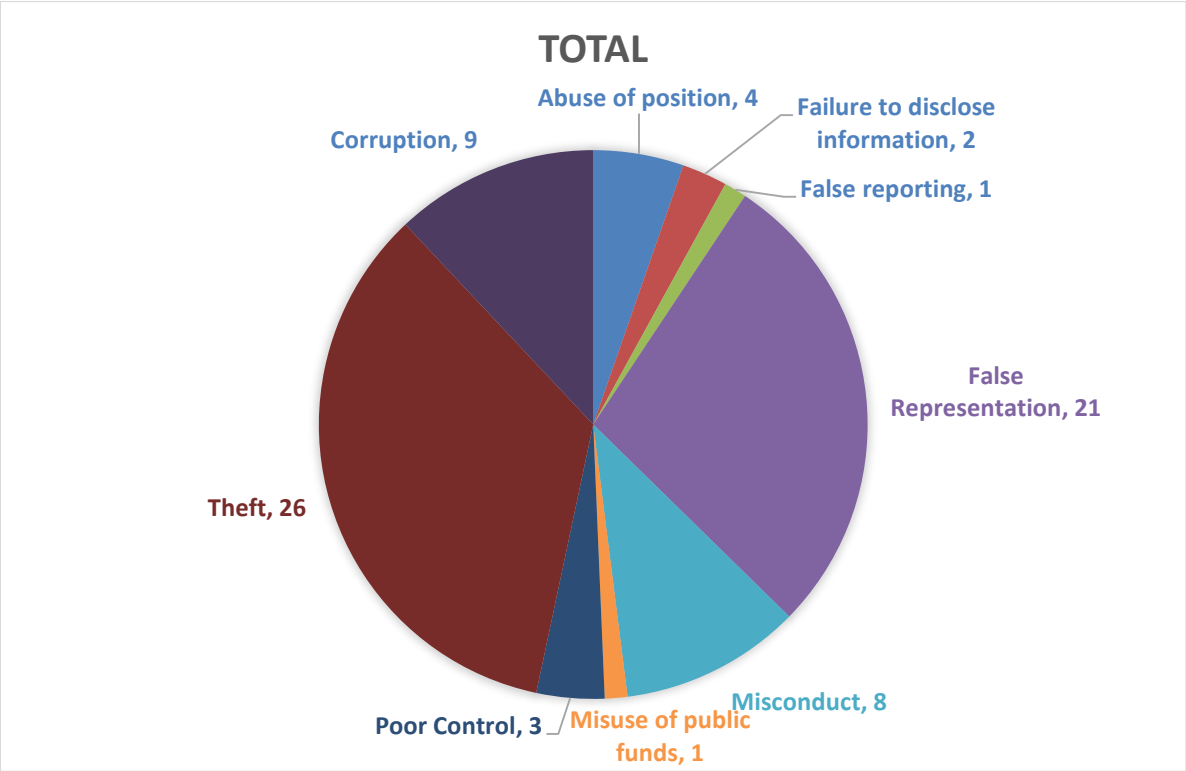


Figure 2. Summary of allegations by type from 1 April 2024 to 31 March 2025



2.7 Of the 75 allegations received, 15 were closed with no action taken, 4 were dealt with through advice to management, 16 were taken forward for investigation by Internal Audit or support provided to a management investigation, 1 was referred to external agencies, and 25 were conduct or capability issues dealt with by management with support from HR where appropriate. 14 referrals are still active at the time of writing.

2.8 The value of fraud prevented or detected is not always readily quantifiable, however, in cases where this can be estimated the cumulative value of fraud prevented or detected for the year is approximately £73,705.

2.9 The following paragraphs provide a summary of the investigation and advisory activity completed by the Internal Audit Counter Fraud Team within the last 12 months:

2.9.1 **Multiple Employment** – An application from a known offender was identified and stopped prior to offer of employment. This was the result of active investigations at the two other Orbis partner councils.

2.9.2 **Bank Mandate Fraud** – Following notification of an attempted bank mandate fraud in a school, control measures were agreed with the Payroll Team and school staff to strengthen controls in relation to bank changes. Further fraud awareness will be undertaken to promote strong counter fraud culture in schools and payroll teams.

2.9.3 **Conflict of Interest** – Internal Audit were asked to undertake an investigation following concerns that a member of staff had set up a consultancy company to secure work in direct competition with the Council's interests. The employee resigned pending disciplinary action.

2.9.4 **Gas Safety Whistleblowing** – Internal Audit were asked to undertake an investigation following a whistleblower raising concerns around the Council's compliance with gas safety requirements. The investigation found that management were aware of performance issues in this area and that actions had been identified and agreed to improve compliance.

2.9.5 **Collusion in a Procurement Process** – An investigation was conducted following an anonymous referral that a member of staff was receiving a 'cash in hand' payment to work in collusion with a contractor to inflate the cost of work conducted. In addition, the referrer alleged that the member of staff was using Council vehicles for personal journeys. The investigation did not find any evidence to substantiate the allegation of collusion. However, it did identify that the member of staff had hired vehicles from a corporate car club account for personal journeys and charged the rental to the Council. The total cost charged to the Council was £5,853. The case was referred to management for action, including for recovery of the full amount. An internal control report was also issued addressing weaknesses in the use of the corporate car club, with actions including a broadcast to all management and staff providing clear instructions on the Council's travel policy and ceasing use of the car club.

2.9.6 **Failure to Follow the Complaints Procedure**– Internal Audit received a request from the Council's Chief Executive to undertake an independent review of the concerns raised by two residents under the Council's

Whistleblowing Policy. The residents stated that the Council had knowingly failed to respond to their complaints and information requests and believed that they had received a differential service in comparison to other residents. No evidence was found to substantiate the concerns. The investigation found that a consistent and corporate approach to identifying and recording complaints is in place and due process had been followed.

2.9.7 **Theft From a Care Home** – Advice was provided to a service regarding money handling and safe procedures following a theft of £500. Due to poor control, it was not possible to identify how the loss occurred. The theft was reported to the police for investigation and actions agreed to strengthen the control environment.

2.9.8 **Misuse of a Residents Parking Permit** – A joint investigation was conducted with officers in Parking following an allegation that two residents had destroyed their residents' parking permits, requested a refund of the cost of the permit, and then taped the permits back together and continued to use them to obtain free parking in the city. The investigation proved the allegation and advised the residents that the actions had breached the permit terms and conditions. No further action was taken other than collection of penalty charges (PCN's) issued due to cancelled permits being used.

2.9.9 **Supplier Fraud** – Following an allegation that a supplier was inflating prices and volume of work completed, Internal Audit undertook an investigation analysing supplier spend and work billed. The investigation did not find any evidence to substantiate the allegations or of wrongdoing, however, the investigation did find issues with non-compliance with Council Standing Orders and agreed actions to improve compliance with procedures.

2.9.10 **Overclaiming of Overtime** – Following a referral from Management of an employee potentially overclaiming overtime, an investigation found that the employee had overclaimed £210. The employee resigned and the overpayment was recovered from their salary.

2.9.11 **Misconduct** – Internal Audit supported management with an investigation into an allegation that an employee of the Council was also undertaking employment in a Council care home through an agency. The investigation upheld the allegation, and the employee resigned during the disciplinary process.

2.9.12 **Overclaiming of Overtime** – Following an allegation that an employee was double claiming bank holiday pay, Internal Audit undertook an investigation reviewing overtime claimed against work rotas. The investigation found that the employee had overclaimed bank holiday pay, but that guidance and procedures were not clear and robust. Recovery of overpayment of £1,348 was made and a letter of expectation issued. Actions were agreed with management to improve the scheduling of work rotas and ensure clear guidance was in place for claiming additional and enhanced hours.

2.9.13 **Conflict Of Interest** – Internal Audit received an allegation that an employee of the Council had failed to declare a close relationship with a supplier, which resulted in the unfair award of work to the supplier. Investigation found no evidence of wrongdoing but did find control weaknesses in relation to

procurement and contract management. Actions were agreed to address weakness and ensure compliance with Contract Standing Orders.

2.9.14 **Misuse of Public Funds** – Following the departure of an employee, Internal Audit received an allegation that goods had been ordered which did not meet the required specifications. Following an investigation, it was not possible to evidence that a robust procurement process had been followed. Actions were agreed to ensure Contract Standing Orders were followed for future procurement.

3. Proactive Fraud Prevention and Awareness Work

3.1 As well as the investigation work referred to above, we continue to be proactive in the identification and prevention of potential fraud and corruption activity across the Authority and in raising awareness amongst staff. The following paragraphs outline some of the proactive work undertaken in the past year.

3.2 The Council has in place an Anti-Fraud and Corruption Strategy 2022-24 that sets out its commitment to preventing, detecting, and deterring fraud. Internal Audit continues to review this strategy, and a refresh will be brought to the Audit, Standards and General Purposes Committee in 2025 to ensure it is aligned with best practice and to ensure a robust and consistent approach to tackling fraud.

3.3 Fraud risk assessments are regularly reviewed to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified. We have updated the risk assessment to include new and emerging threats. This includes potential threats to payroll, staff fraud relating to multiple employment and the ever-increasing cyber threat.

3.4 One of the key controls in fighting fraud is having a strong culture in place with staff vigilant to the threat of fraud. In the past year, Fraud Awareness sessions have also been delivered to strengthen the counter fraud culture within the Council and build awareness of the confidential reporting hotline. The team continue to monitor intel alerts and work closely with neighbouring councils to share intelligence and best practice.

National Fraud Initiative (NFI)

3.5 NFI matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include local councils, police authorities, local probation boards, fire and rescue authorities and a number of private sector bodies.

3.6 The results from the latest biennial NFI exercise were received in December 2024. The results from the data matching released to the Council flagged approximately 14,500 matches. This compares to just over 14,000 that were flagged in the previous exercise.

3.7 As well as directly undertaking reviews of the matches for evidence of fraud and error, we have been liaising with the relevant departments to ensure that flagged matches are investigated and actioned appropriately. Payroll records have been prioritised, with a number of live enquiries still underway. Matches flagged for review include:

- 497 Housing Applications
- 18 Pensions matches
- 50 Payroll matches
- 227 Blue Badge matches
- 519 Concessionary Travel matches
- Over 13,500 Creditors matches

3.8 The results from the previous exercise (January 2023 release) included:

- No issues from 106 reviewed matches relating to Payroll to Payroll, Procurement to Payroll, or Payroll to Companies House (Director);
- 3 Housing Benefit overpayments totalling £42,588 identified as a result of benefit claims being reviewed due to the claimant being in receipt of a student loan;
- One Council property being recovered as a result of identifying that the tenant had moved;
- The cancellation of over 462 concessionary travel passes where the pass holder had passed away, with the Cabinet Office estimated saving from this being £28,644;
- 55 Blue Badges cancelled as a result of matches to deceased data, with the Cabinet Office estimated saving from this being £35,750; and
- Over 10,000 data matches received relating to potential duplicate creditors. The highest quality matches were prioritised and duplicates payments totalling £3,483. were identified and the relevant team informed so these could be recovered.

Partnership Working

3.9 We attend a local government fraud forum, comprised of partners from across the south-east to discuss emerging threats and share intelligence. The Brighton & Hove Housing Investigators also participate in the Housing Tenancy Forum and Sussex Fraud Officers Group, to share intelligence and review emerging threats in the local area.

4. Housing Tenancy Fraud

4.1 A key focus area remains housing tenancy fraud and local taxation. The CIPFA Fraud & Corruption Tracker continues to place tenancy fraud as the largest threat to local authorities, and the volume of succession and application fraud in particular, has seen significant increases in recent years. Unlike other sectors, tackling this type of fraud is, however, not just about financial savings but has clear social benefits to the community.

4.2 The tenancy fraud investigators sit within Orbis Internal Audit and Counter Fraud and consists of two Investigator posts and an Investigations Lead. Previously the team was reliant on referrals made to the fraud inbox and hotline, however, additional funding from April 2023 is driving a shift to more proactive and preventative work. The funding now provides 450 days of tenancy fraud work.

4.3 The team will pick up allegations of tenancy fraud which typically include any of the following:

- **Unlawful subletting** can include subletting the whole of the property or individual rooms within the property to a third party when the tenant ceases to occupy as only or principal home without the consent of Brighton and Hove City Council.
- **Key selling** is where a tenant 'sells' the keys to another person in return for money, a favour carried out, or in return for goods received.
- **Non-occupation** is where a tenant claims that the council home is used as their only or principal home, but instead uses it as a second property and resides there infrequently or not at all. This can be investigated where council tax discount applied.
- **Fraudulent succession** is where a property has been retained by an occupant following the death of the tenant without the consent or knowledge of BHCC, and by a person who has no rights of succession.
- **Unauthorised exchange or assignment** is where a tenant or tenants exchange or assign properties without the consent or knowledge of Brighton and Hove City Council.
- **Fraudulently obtaining council housing** is where a tenant provides false or misleading information in order to obtain a tenancy. This includes misrepresentation of circumstances and/or providing false identification.
- **Providing misleading or false information** on an application to purchase the property, through the right to buy scheme.

4.4 Most investigations are undertaken using the following legislation:

- **Prevention of Social Housing Fraud Act 2013** – subletting property whilst residing elsewhere.
- **Fraud Act 2006** – S.2 fraud by false representation, S.3 fraud by failing to disclose.
- **171 Housing Act 1996** – false statements or withholding information.

4.5 Despite vacancies in part of the year, the team delivered 455 days of tenancy fraud work and recovered 10 properties. The results of our tenancy fraud activities for 2024/25 are summarised below:

Fraud Area	(£) 2024/25	(£) 2023/24	(£) 2022/23	(£) 2021/22
Properties Recovered	930,000	558,000	186,000	279,000
Housing Application Withdrawn	359,772	-	-	-
Homeless Application Withdrawn	-	-	-	-
Right-To-Buy Withdrawn	102,400	-	-	-
SPD Removed	5,559	8,625	511	9,746
Revenues Exemption Removed	2,947	-	-	-
CTRS	4,659	440	406	-
Housing Benefit	-	3,853	3,658	-
Business Rates	-	-	-	-
Total	**1,405,337**	**570,918**	**190,575**	**288,746**

4.6 The above financial values are based on the methodology for estimating NFI savings set by the Cabinet Office, although not all will be cashable savings they do represent savings to the public purse.

Reporting Categories for Irregularities

Reporting category	**Description**	**Examples** (not an exhaustive list)	**Legislation / Policies** (examples)
False representation	Knowingly making an untrue or misleading representation to make gain, cause loss or expose the Council to the risk of loss	Submitting incorrect expense claims; falsely claiming to hold a qualification	Fraud Act 2006
Failure to disclose information	Intentionally withholding information to make gain, cause loss or expose the Council to the risk of loss	Failing to declare pecuniary interests, or assets as part of a means tested assessment	
Abuse of position	Use of position to act against, or fail to safeguard, the interests of the Council or residents	Nepotism; financial abuse of individuals receiving social care	
Theft	Misappropriation of assets (often cash) belonging to the Council or individuals under the Council's care	Removing cash from safes; removing individuals' personal items in care homes	Theft Act 1968
Corruption	Offering, giving, seeking or accepting any inducement or reward which may influence a person's actions, or to gain a commercial or contractual advantage	Accepting money to ensure a contract is awarded to a particular supplier	Bribery Act 2010
False reporting	Intentional manipulation of financial or non-financial information to distort or provide misleading reports	Falsifying statistics to ensure performance targets are met; delaying payments to distort financial position	Theft Act 1968; Financial Regulations; Procurement Standing Orders
Misuse of public funds	The use of public funds for ultra vires expenditure or expenditure for purposes other than those intended	Officers misusing grant funding; individuals misusing social care direct payments	
Procurement	Any matter relating to the dishonest procurement of goods and services by internal or external persons	Breach of the Procurement Standing Orders; collusive tendering; falsifying quotations	
Misconduct	Failure to act in accordance with the Code of Conduct, Council policies or management instructions	Undertaking additional work during contracted hours; inappropriate use of Council assets and equipment	Code of Conduct; IT Security Policy
Poor Control	Weak local or corporate arrangements that result in the loss of Council assets or a breach of Council policy	Storing a key to a safe in the immediate vicinity of the safe	

Brighton & Hove City Council

Audit, Standards and General Purposes Committee

Agenda Item 11

Subject: **New England House Closure: Internal Audit report and response**

Date of meeting: **24th June 2025**

Report of: **Corporate Director City Operations**

Contact Officer: **Name: Max Woodford, Director of Place**
Tel: 01273 291666
Email: max.woodford@brighton-hove.gov.uk

Ward(s) affected: **All**

For general release

1. Purpose of the report and policy context

1.1 This report sets out the findings of a lessons learned exercise undertaken by the council's Internal Audit team into the sudden temporary closure of New England House (NEH) in November 2024 for fire safety reasons, and the events leading up to that and to the subsequent closure of the building while long term options were reviewed.

1.2 The city council is a learning organisation, and this informs our approach to reviewing decisions and actions when things go wrong, and applying any lessons learnt. The report sets out the recommended actions from the lessons learned report and the steps being taken to implement them, as well as the reflections of those leading the affected teams considering what can be done better in the future to reduce the likelihood of such events happening again.

2. Recommendations

2.1 That Committee notes the Internal Audit report as set out at Appendix 1 of this report.

2.2 That Committee notes the recommendations for action as set out a paragraphs 3.10 and 3.13 setting how the city council, as a learning organisation, are responding and applying lessons learned.

2.3 That committee agrees to officers bringing a report to a future meeting of Audit, Standards and General Purposes Committee, six months from the date of this meeting, to update on progress in implementing lessons and actions from the Lessons Learned report.

3. Context and background information

3.1 New England House serves as a crucial centre for the city's creative, cultural, and digital sectors, fostering innovation and economic development through its distinctive mix of tenants. Light industrial commercial space in the city is highly limited, and New England House has significantly contributed to the overall stock of such spaces. It is an important economic hub, as well as being a building that has contributed income as part of the commercial portfolio.

3.2 It has been a longstanding project to renovate and potentially add space to the building, as its condition has deteriorated over a long period of time. The regeneration project to upgrade the building was intended to retain the existing ecosystem of small businesses and protect that economic value it generated. Approximately £10m had been secured through City Deal and a sale of nearby land to deliver the regeneration, though this was someway short of the funding needed to complete the project.

3.3 The Internal Audit report sets out that the work to renovate the building had revealed a number of areas in which the fire safety of the building has been compromised. Extensive surveys have established that the building currently has fire safety failings which include inadequate fire protection of the floor slabs; extensively compromised compartmentation throughout the building including the façade which is beyond its useful lifespan; no fire protection of external staircases; insufficient fire detection and firefighting provisions (given the current state of building); no provision for the evacuation of disabled people; and an incoming electrical supply beyond its useful lifespan which is a potential fire risk. Major works are required for the building to be brought to compliance with safety standards.

3.4 It was necessary to undertake an emergency closure of the building in November 2024 to put fire safety control measures in place as the risk of keeping the building open was considered too high without them. A report to Cabinet in March 2025 recommended that, in view of the scale of the works needed, it is necessary to secure vacant position of the building in order to either prepare for a full refurbishment which would comprehensively mitigate fire risks, or for a redevelopment of a building which is fit for purpose, in accordance with current safety standards. Most tenants have therefore been served notice and the building is expected to be substantially vacant by September 2025.

3.5 The November 2024 closure of the building came as a shock to tenants. Compensation has been offered for that closure, and a compensation package has also been offered to tenants having to leave the building for September. This compensation package is above and beyond the terms and conditions in tenants' contracts. Notwithstanding this, the negative impact on tenants and on the economic value they generate is being considered throughout this process. As the March 2025 Cabinet report made clear, the required works to make the building safe could not be done with tenants in the building, and so there was always going to have to be a point when tenants would have had to leave. But the suddenness of the November temporary closure and the speed of the full closure has made it difficult for tenants to plan. As a learning organisation, the city council needs to

consider what went wrong to precipitate this situation, and what lessons can be learned to stop it happening again.

3.6 To this end, the council's Internal Audit team were commissioned by the council's Chief Executive Officer to do a lessons learned exercise focused on the November closure. The review sought to establish the circumstances leading up to the decision to temporarily close NEH, including identifying what reports and information were available in advance of the decision being made.

3.7 The agreed scope of the review also included establishing:

- Arrangements for assessing the building condition and fire safety arrangements at NEH.
- Decision-making regarding the development of, and investment in, the building since 2020.
- Arrangements for managing property maintenance and improvement programmes, including the decision-making over the prioritisation, monitoring and reporting of work.

3.8 The review carried out by Internal Audit focussed on an examination and analysis of the following:

- Reports and correspondence regarding fire safety at NEH.
- Committee Reports regarding ongoing issues and work.
- Project documentation associated with NEH.
- Management Contract for NEH.
- Outlook files of the staff.
- CIVICA Financial, Purchasing, and General Ledger Reports for spend at NEH.

3.9 Meetings have also been conducted with staff working in Property and Design, Programme Management, and Legal Services as well as relevant service directors. In addition, a meeting was held with staff from East Sussex Fire and Rescue Service (ESFRS).

3.10 The lessons learned report has been a very useful exercise, with learning relevant to staff at all levels. On top of this quite technical exercise looking at the specifics of this case, the Corporate Leadership Team has also reflected on some more general lessons for the organisation arising from this situation. These reflections, set out below, are a management response to the challenges set by the lessons learned report:

- There wasn't a 'one council' approach to ownership of the fire safety issue. The Property team did not prioritise the fire safety measures as the long term regeneration project was going to involve fixing all of those problems. Meanwhile, the Regeneration team were focused on a project that about economic development and place making – fixing the fire safety issues was not a priority for them because they are not building managers. This created a gap that meant the issue of the worsening fire safety situation

was not prioritised to the extent that it should have been. Whilst there is a need to act in more of a one-council manner to ensure the collaboration that makes problems easier to fix, we also need to acknowledge that in Fire and Health and Safety issues there is also a need for everyone to be clear about their own roles and for there to be named people who know they are responsible for certain issues.

- This was a regeneration project stuck at the business case stage, which never properly commenced as a project. A c.£10m project budget had been secured for a regeneration project costing in the region of £24.5m. Part of the business case was always going to be based on supported borrowing from extra income, but the viability gap had not been closed. While that viability gap existed, the project was never able to move properly into the delivery phase, triggering the emptying of the building and the resolution of the issues.

- A longer-term, more strategic approach to building maintenance and investment is needed. NEH has suffered from years of underinvestment. Again, this was partly due to the fact there was a long-term regeneration planned. But it also reflects the lack of adequate investment in planned building maintenance over the last fifteen years, due to savings caused by austerity and lack of council funds.

- Notwithstanding the lack of investment, the building has continued to generate economic benefits for the city as well as a good income that helped the Property team to meet its income targets. Comfort with this status quo inadvertently created a situation where ‘do nothing’ was the easiest option.

- However, doing nothing has resulted in a more negative economic and financial outcome. By not facing up to the need to invest in the building – and in doing so ask tenants to leave and so forego the economic benefits and rental income – has created a worse situation. Not giving tenants more time to make alternative arrangements has affected them financially, and the cost of keeping the building open with fire marshals has come at a financial cost.

- Project processes and governance need to be ingrained in the organisational culture, to ensure they are enacted across all types of project and at all project stages. The fact this project was not seen as a priority, for the reasons set out above, should not mean that the council’s usually strong project governance and project management processes are implemented in the usual way.

- The council is implementing the five pillars of a learning organisation. It is clear that at the time this was happening, the culture in the organisation meant that people were uncomfortable escalating issues and being open about problems – i.e. they did not feel confident or psychologically safe. The new organisational framework is looking to address this by implementing a new culture which is starting to be embedded.

3.11 Appendix 1 is a summary of the Internal Audit report. The names of various external businesses and suppliers to the council are redacted as those businesses do not have a right of reply through this report.

3.12 Section 3 of that report sets out the key findings. It sets out issues with the implementation of project management processes and governance, and explores why issues were not escalated sooner.

3.13 In addition to those key findings, the report also proposes specific recommendations for the council which are repeated in full in the summary, and key actions have been agreed with teams across the council, taking a one-council approach to addressing the learning from this report. The recommendations and actions are summarised below:

#	Recommendation	Agreed Action
1	All staff involved in contract management should undertake relevant training to ensure they fully understand their roles and responsibilities relating to the management of contracts.	Included in the priority programme of training for leadership development, People and Innovation Team to lead on this action.
2	In the case of all projects, appropriate and proportionate project management disciplines should be applied, in line with organisational standards. As a minimum, this should include fundamentals such as a project brief and project plan with timescales, roles and responsibilities and resources clearly defined.	Innovation team to review current approach to and principles of programme and project management and lead on training and development for all involved in leading projects and programmes.
3	The Council should consider mechanisms for helping to ensure that all staff, whether working on defined projects, or delivering business as usual activities, understand their responsibilities with regard to raising concerns and escalating issues of importance. This may be through establishing guidance and embedding behaviours within the organisational culture.	As part of the Programme and Project management training the importance of escalation via 1 to 1's and project board processes to be emphasised and embedded. As part of this, a lessons learned session at Leadership Network looking at Grenfell lessons learnt has taken place, with action for leaders to take this learning into teams.
4	For all projects, appropriate arrangements should be put in place to ensure that all relevant project records and documentation are retained and accessible, possibly through a relevant SharePoint site. This will enable an audit trail of project activity and decision-making and will help ensure continuity of record-keeping in the event of staff turnover.	Standard approach for retention of project documentation using SharePoint/Teams Groups to be developed and rolled out via Business Improvement Managers.

5	Given the costs involved, care should be taken to ensure that external surveys and reports are only commissioned where there is an appropriate need. Where such reports are received, management should ensure that appropriate action is taken in response to any findings and recommendations.	Clear governance structure for all programmes, and clear ownership of any report commissioned – with clarity on the reason that a report is commissioned, expected outcomes from the report, and who is responsible for taking forward recommendations before reports are commissioned.
6	Staff should arrange a full consultation with the fire safety consultant, the managing agent, and ESFRS, in order to come to a definitive view as to the fire safety concerns at NEH. Any actions required as a result should be immediately addressed in order to ensure the building is safe for continued use.	Action to support this recommendation is occurring monthly, including Fire Consultant, Head of Health & Safety, Programme Manager, lead architect and Fire Consultant.

3.14 The recommendations of the lessons learned exercise have already started to be implemented and will be turned into an action plan to be delivered across the council. Officers will identify who owns specific actions and it is proposed a report is bought to a future meeting of this Committee, 6 months from the date of this meeting, to report back on progress and implementation.

4. Analysis and consideration of alternative options

4.1 This is a lessons learned report, so alternative options are not considered here. The report into the future of NEH will consider options for the future of the building itself.

5. Community engagement and consultation

5.1 The findings of this report are based on an internal audit, and have not been consulted upon. The work around closing the building and its future has and will include consultation with tenants and the community. A full tenant meeting was held shortly after the November closure, there has been regular meetings of a tenant reference group and all individual tenants have been met with or had the offer of meetings. A member of the Culture and Creative Industries Team has been seconded one day a week to work with tenants on their future accommodation needs. As well as the more general lessons learnt, there is also a lesson about effective and sufficient tenant engagement in a business environment, and considering how this differs to the needs of engaging with residents.

6. Financial implications

6.1 There are no direct financial implications as a result of the recommendations in the main report. The recommended actions from the interna; audit report outlined in the table in the main report will not result in an additional resource requirement.

6.2 Financial implications relating to the closure of NEH will be reported via the councils financial management policy and the Targeted Budget Management reports to cabinet, this will include expenditure relating to both capital and revenue.

Name of finance officer consulted: Craig Garoghan Date: (03/06/2025)

7. Legal implications

7.1 The audit report identifies shortcomings in the management of NEH. The council is obligated to ensure that all arrangements for the maintenance of the safety of the building are compliant with legislation and regulations.

Name of lawyer consulted: Siobhan Fry Date: (29/05/2025):

8. Risk implications

8.1 The way the city council deals with its portfolio of assets and regeneration projects should have risk management at its core. This point is fundamental to the lessons learned report.

9. Equalities implications

9.1 Being a lessons learnt report which does not make formal decisions on the future of NEH, this report does not address the equalities implications for the building. These will be considered as part of a report into future options for NEH that will come to Cabinet later this year.

10. Sustainability implications

10.1 Being a lessons learnt report which does not make formal decisions on the future of NEH, this report does not address the sustainability implications for the building. These will be considered as part of a report into future options for NEH that will come to Cabinet later this year.

Supporting Documentation

1. Appendices [delete if not applicable]

1. Lessons Learned report

2. Background documents

1. March 2025 Cabinet Report in the Future of New England House

Internal Audit Report

New England House: Lessons Learned

(Final)

Assignment Manager: Russell Banks, Chief Internal Auditor
Prepared for: Brighton & Hove City Council
Date: March 2025

Report Distribution List

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Contents

1. **Introduction** *Page 4*
2. **Scope and Work Undertaken** *Page 4*
3. **Executive Summary** *Page 5-6*
4. **Detailed Findings** *Page 7-14*
5. **Recommendations** *Page 15*
6. **Appendices** *Page 16-18*
   Appendix 1 – Reports Available

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1. Introduction and Issue

1.1. On 11 November 2024, Internal Audit received a request from the Council's Chief Executive to conduct a lessons-learned review following the decision to temporarily close New England House (NEH), a Council owned property hosting 99 business tenants.

1.2. The decision was taken following receipt of a report from fire safety consultants which stated there were critical deficiencies in the building that would lead to significant and potentially devastating consequences if there was a fire.

1.3. It is understood that the situation leading to the closure arose despite the Council receiving a report from fire safety consultants outlining the issues facing the building in July 2020.

1.4. The aim of the lessons-learned review was to help the organisation understand how this situation had arisen and identify improvements that could be made to avoid future repetition.

2. Scope and Work Undertaken

2.1. The review sought to establish the circumstances leading up to the decision to temporarily close NEH, including identifying what reports and information were available in advance of the decision being made. All reports identified are documented in appendix one.

2.2. The agreed scope of the review also included establishing:

- Arrangements for assessing the building condition and fire safety arrangements at NEH.
- Decision-making regarding the development of, and investment in, the building since 2020.
- Arrangements for managing property maintenance and improvement programmes, including the decision-making over the prioritisation, monitoring and reporting of work.

2.3. The review carried out by Internal Audit focussed on an examination and analysis of the following:

- Reports and correspondence regarding fire safety at NEH.
- Committee Reports regarding ongoing issues and work.
- Project documentation associated with NEH.
- Management Contract for NEH.
- Outlook files of the former Assistant Director of Property and Design.
- CIVICA Financial, Purchasing, and General Ledger Reports for spend at NEH.

2.4. Meetings have also been conducted with staff working in Property and Design, Programme Management, and Legal Services as well as relevant service directors. In addition, a meeting was held with staff from East Sussex Fire and Rescue Service (ESFRS).

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3. Executive Summary

3.1. The aim of the lessons-learned review was to help the organisation understand the circumstances leading up to the decision to temporarily close NEH and identify improvements to avoid a future repetition.

3.2. Whilst NEH is a Council owned building, management of the building is outsourced to a management agent, **REDACTED**. There is a contract in place between the Council and **REDACTED** that clearly defines the roles and responsibilities of each party. The contract is clear that, whilst the Council remain responsible for the maintenance of the building, **REDACTED** are required to perform certain activities to ensure that the Council are kept up to date regarding the maintenance requirements of the building. The review found evidence that **REDACTED** is not fulfilling its contractual duties, and that Council staff have not taken action to address this. Furthermore, staff do not appear to have a full understanding of the roles and responsibilities of each party, and this has led to confusion in managing ongoing maintenance and fire safety concerns at the building.

3.3. The review found evidence that the Council received numerous reports regarding the building condition and fire safety concerns at NEH prior to the decision to temporarily close the building. This includes reports from surveys commissioned by the project team working on the refurbishment of the building, as well as regular reports commissioned by **REDACTED**, such as the annual fire risk assessment. Despite these various reports having been received, staff in receipt of them have failed to understand the risks outlined, recognise the urgency in managing these risks, and escalate concerns to senior management where appropriate.

3.4. However, a review of the reports and documentation available found that these often contained contradictory information, and that this may have hampered staff's understanding of the risks at the building and urgency for managing these. This is clearly demonstrated by two reports received just nine days apart, one of which states that there were critical deficiencies in the building that would lead to significant and potentially devastating consequences if there was a fire, and the other stating that the fire risk was 'low.' Various internal documents have also been produced stating that the building was safe and could remain open. It is noted, however, that ESFRS were not consulted on the contradictory information received, and that if they had been, this may have impacted on any decision to temporarily close the building.

3.5. In addition, there has been a lack of project management and governance around the project historically, and this has meant that project activity has not been effectively monitored. Whilst a Programme Manager has been in place since the initiation, there is a lack of project documentation available outlining the aims and objectives, project plan, key deliverables, decision-making, and risk and issues. Furthermore, the project previously lacked a clearly defined governance structure and, whilst an officer group was in place, there is insufficient documentation available to confirm the group met regularly and had full oversight of project risks, issues, decisions, and actions. The lack of a clearly defined governance structure and formal project management arrangements has meant that the roles and responsibilities of staff working on the project have not been clearly defined and, as a result, staff appear to be unclear on who is responsible for actioning tasks and escalating concerns.

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3.6. In addition to the above, it is clear from meetings with staff that the Council did not have the financial resources or staff required to deliver a large-scale project such as the proposed development of NEH. The funding requirements of £24.53m were not obtained and progress of the project appears to have been reliant on staff within the Architect and Design Team, who themselves were stood down to focus on other work during the COVID-19 pandemic. When staff on the Architect and Design Team were reappointed in 2023, the lack of project documentation severally hampered progress, and resulted in several surveys and reports being recommissioned at significant financial cost to the Council.

3.7. In conclusion, several factors impacted on staff failing to escalate the fire safety concerns at NEH to senior management, including the lack of formal project management arrangements, lack of project governance, and the lack of understanding relating to the roles and responsibilities of staff working on the project, and those managing the contract between the Council and **REDACTED**. However, it should be noted that action has now been taken to address some of these factors, with a new Project Manager being appointed and a clearly defined governance structure being put in place enabling senior management to have clear oversight of the project.

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4. Detailed Findings

Brief History of NEH

4.1. In March 2014, a City Deal for the Greater Brighton City Region was agreed with Government and marked the start of a long-term commitment to investing in and developing the area. A focal point of the City Deal programme was the refurbishment and expansion of NEH to create a 'technical hub' for the South-East area.

4.2. The project required a total investment of £24.53m to enable the refurbishment and expansion of NEH and it was proposed that the private sector would invest £9.8m, the Council £9.8m and the Government £4.9m. Grant funding of £4.9m was received from the Government in 2014, and the Council later secured a further £6.1m from a land deal via its freehold interest in the Longley Industrial Estate. The funding was ringfenced for the refurbishment and expansion of NEH.

4.3. Following the establishment of a project team, the Council's Architect and Design Team were instructed to conduct a series of feasibility studies to consider the potential options for the development of the building. A preferred option was identified at the end of 2019 and the project progressed to a design phase which included the completion of due diligence checks. This included commissioning fire safety consultants, **REDACTED**, to conduct a fire safety survey of the building.

4.4. A report detailing the findings of the survey, which included fire safety issues, was received by the Council on 21 July 2020. The report referenced a previous report produced by the managing agent, **REDACTED**, entitled 'Review of Condition of New England House' that had been published in November 2017, and had also highlighted fire safety concerns in the building.

4.5. Following receipt of the report in 2020, the NEH project brief changed to focus on the fire safety concerns raised as part of the survey. However, a subsequent report received by the Council in 2023 identified that no action had been taken to address the fire safety concerns highlighted by these previous reports.

Lack of Project Management

4.6. Project management involves planning, organising, and managing a project to achieve a predefined goal or outcome. For a large-scale project such as the refurbishment and expansion of NEH, we would expect to find formal project management arrangements in place, including, but not limited to:

- Documentation outlining the purpose of the project.
- Details of key stakeholders including their roles and responsibilities.
- A project plan outlining key deliverables and milestones.
- A risk and issues log.
- Mechanisms for managing changes to the project plan.

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4.7. Historically, the refurbishment and expansion of NEH has lacked formal project management arrangements. Whilst a Programme Manager was in place from the initiation of the project, no project documentation appears to be available detailing the aims and objectives, project plan, key deliverables, or project milestones. Furthermore, there is no documentation detailing the variation from a project focused on the refurbishment and expansion of the building to a project managing fire safety concerns (following receipt of the report in 2020).

4.8. In addition, the roles and responsibilities of staff involved in the project have not been clearly defined. The lack of clarity regarding roles and responsibilities was demonstrated by staff interviewed as part of this review who were unable to confirm who was responsible for specific project tasks and documentation. This lack of clarity has resulted in key tasks often being duplicated or not completed.

4.9. The absence of sufficient clarity around roles and responsibilities has also resulted in some staff conducting tasks that they believed were outside of their normal remit. For example, staff in the Architect and Design Team took action to manage tenant behaviour at NEH following a site visit in June 2024. During the visit, it was identified that propane gas was being stored in several tenant units. The findings of the visit were reported to staff, but no action was taken. This led to a Senior Architect sending an email that read *'Without wishing to over-step the mark, please can I request that, together with* ***REDACTED****, you instruct those tenants highlighted in the attached document to remove propane from the building with immediate effect?'*

4.10. It is noted, however, that a Project Manager was appointed to formally manage the project in September 2024 and, since their appointment, project documentation, including a Terms of Reference, risk and issue log, and action plan have been put in place.

Lack of Project Governance

4.11. In addition to formal project management arrangements, we would expect a large-scale project such as the refurbishment and expansion of NEH to have a clearly defined governance structure in place to oversee the delivery of the project. The review found that, historically, the project has lacked such a governance structure and, as a result, there has been inadequate management oversight of the activities.

4.12. A crucial element of effective governance is ensuring that project objectives are appropriately approved and that staff working on a project have a clear understanding of the objectives. If the objectives change, for instance from a refurbishment to fire safety project, we would expect mechanisms to be in place to ensure the change is appropriately approved and communicated to staff working on the project. It is noted that the project brief changed when the fire consultant's report was received in July 2020. However, due to the lack of formal governance arrangement, there is no documentation detailing the change, that it was appropriately approved or that it was effectively communicated to staff working on the project.

4.13. An Officer Group was in place from the outset of the project, and membership included senior officers and staff from Project Management, Property and Design, and Finance. However, whilst the previous Programme Manager advised that the group met regularly, there is insufficient documentation to confirm the frequency of meetings, attendees, and topics addressed. Furthermore, the previous Programme Manager advised that whilst senior officers

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were part of the group, they did not always attend meetings and therefore did not have full oversight of the project.

4.14. It is noted that an Officer Group meeting took place on 6 August 2020 to discuss the content of report received on 21 July 2020 and notes from this meeting are available. The notes record that staff from Property and Design attended the meeting along with the consultant who produced the report. However, representatives from senior management, Legal, and Health and Safety were not present nor were they included in the circulation list to receive the minutes. As a result, they did not have full oversight of the discussion that took place or actions that were required.

4.15. Furthermore, the previous Programme Manager has advised that, following the receipt of the fire consultant report, **REDACTED** were appointed to project manage the fire safety works at NEH. A review of notes from several meetings held with **REDACTED** also found that senior management were not involved in these meetings, nor were they included on the circulation list for the minutes. Whilst senior management may not regularly attend project meetings when no issues have been identified, given the findings of the fire consultant's report, we would expect them to be included in the circulation of meeting minutes or for a clear escalation procedure to be in place.

4.16. It is clear that, historically, this project has lacked a clearly defined escalation procedure, and this has resulted in staff failing to escalate risks to senior management when appropriate. Our review identified several examples as follows:

- On 5 December 2020, a report was submitted to Policy and Resource Committee outlining the preferred option for development of the building and requesting agreement to proceed with the plans. However, the report fails to reference the fire safety concerns raised in July 2020.
- On 12 March 2024, the Council received an 'Intolerable and Substantial Risk' letter from the managing agent, **REDACTED**. The letter stated that fire safety work was 865 days overdue and referenced both the **REDACTED** and **REDACTED** reports. However, senior management were not made aware of the letter or briefed on the urgency of the risks associated with NEH at this time.
- On 26 June 2024, the Architect and Design Team conducted a site visit to NEH with fire safety consultants and the managing agent, **REDACTED**. Tenant units were inspected, and propane gas canisters were identified as being stored in the building. A further report was produced by the fire safety consultant and issued to the Officer Group on 15 July 2024. On 6 August 2024, a member of the Architecture and Design Team emailed a council lawyer raising concerns that no action had been taken and seeking advice on the storage and use of propane gas. At this point, three weeks after the initial visit, the concerns were escalated to senior managers.
- On 4 November 2024, a meeting was held with the fire safety consultant to discuss previous reports and the more recent concerns regarding the storage of propane gas. All staff involved in the meeting were aware that the building would possibly need to be urgently decanted. This included senior managers. However, the matter was not escalated to the Council's Chief Executive until 8 November 2024.

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4.17. Staff interviewed as part of the review were unclear who was responsible for escalating risks, with some staff concerned about 'going over a colleague's head.'

4.18. As referenced above, since the appointment of the new Project Manager, a clear governance structure has now been put in place, which includes a Strategic Corporate Group, with defined roles and responsibilities and oversight of the project.

4.19. The newly formed Strategic Corporate Group meet regularly, and the first meeting took place on 11 November 2024. The minutes record that the staff present, helping to ensure appropriate oversight at all levels. Actions arising from the meeting are also now being documented in the minutes and can be tracked.

Lack of Contract Management

4.20. Whilst NEH is a Council-owned building, management of the building is outsourced to a managing agent, **REDACTED**. A contract entitled 'Framework Agreement for the Provision of Commercial Portfolio Estate Managed Services' is in place between the Council and the managing agent, who is recorded as being GVA Grimley Limited. Open-source enquiries have confirmed that **REDACTED** acquired GVA Grimley Limited in 2019. The contract is signed and dated by representatives from the Council and **REDACTED** on 3 February 2020.

4.21. The original contract commenced on 2 February 2018 for a period of five-years, ending 31 March 2023, with an option to extend for a further two-years. The contract is currently out to tender and due to be renewed as of 1 April 2025.

4.22. Schedule one of the contract provides a detailed specification regarding the expected roles and responsibilities of both parties.

4.23. Section 4 of schedule one refers to Estate Management and specifies *'Unless otherwise specified, the Authorised Officer at Brighton & Hove City Council is the* **REDACTED***, who is delegated to manage the Council's Commercial and Agricultural property portfolio and to undertake client functions under various contracts with third parties including those related to property management. Such roles and functions are delegated to a certain extent operationally to the* **REDACTED***, who will act as client for day-to-day management issues whilst* **REDACTED***, retains a strategic role and will act as client for issues such as policy development, strategy reviews, and the more significant and political issues as part of the management contract.'*

4.24. The contract specifies that the managing agent is expected to meet with the Council's Authorised Officer monthly to discuss the day-to-day management of the contract and continued management of the estate.

4.25. The contract is also clear that, whilst management of the building is outsourced to **REDACTED**, the Council remain responsible for managing and approving ongoing maintenance issues. Section 9.1 of schedule one refers to Building Maintenance and states *'Although the Council seeks as a matter of course to let its property on Full Repairing and Insuring leases there are buildings for which the Council has responsibility for some aspect of maintenance.'* The contract goes on to specify that '*Not later than 30 April each year, a report should be submitted by the*

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Service Provider to the Authorised Officer setting out recommendations for building maintenance programme for the ensuing financial year.'

4.26. Appendix 1 of the contract specifically refers to the Council's Commercial Portfolio and this includes NEH. Section 3.5 of appendix one states *'In addition to maintenance liabilities, the Council is also responsible for improvements to part of its commercial portfolio. In this respect the Service Provider will prepare, no later than 20 September each year, a report setting out recommendations for capital building works for the forthcoming three financial years.'*

4.27. Despite the clear contract conditions set out above, our review has found evidence that **REDACTED** has not been fulfilling its responsibilities as outlined in the contract and that staff managing the contract have not taken action to address this. For example, the contract manager has advised that **REDACTED** have failed to provide regular reports detailing the maintenance requirements at NEH. However, no action has been taken to address this.

4.28. In addition, there is a lack of understanding regarding the roles and responsibilities of staff working for the Council and **REDACTED**. For example, following receipt of the report on 21 July 2020, a member of the Architecture & Design Team emailed senior managers to highlight the fire safety concerns at NEH and advise that immediate action was required. A senior manager responded in an email on 31 July 2020 implying that **REDACTED** were responsible for addressing the risk. The email read '*This is concerning as **REDACTED** are the same managing agents who manage the building currently for us and we need to understand why **REDACTED** have not addressed these issues and what they are going to do to put this right. It seems their lack of action has put the council at risk.'* The email goes on to state *'in the first instance please discuss the matter with (Estates Team) so that property as Client has clarity on our landlord and agents roles /responsibilities, contractual liabilities.'*

4.29. The lack of understanding is further demonstrated in an email on 6 August 2020 from a senior manager to **REDACTED**, in which **REDACTED** are requested to prepare a programme of actions to resolve the risks identified by the report with a timetable of when the actions will be completed.

4.30. The Director for Real Estate at **REDACTED** responded to the above email on 28 August 2020 providing their observations regarding the fire consultant's report and a schedule of actions to address the identified risks. However, the Director suggests that some of the risks are addressed as part of the ongoing refurbishment and expansion programme, and this appears to have been accepted by Council staff. In addition, whilst a schedule of actions was provided, it is unclear who was responsible for completing the actions and, as a result, they were not progressed.

4.31. It is noted that monthly contract meetings between the Council and **REDACTED** are occurring, with the last meeting taking place on 26 November 2024. The agenda for the meeting records that this as a 'Portfolio' meeting, discussing all properties managed by **REDACTED** and does not specifically address the issues at NEH.

4.32. Finally, staff have advised that there is a perceived 'lack of trust' between the Council and **REDACTED**, suggesting there has been a breakdown of relationship, and this could potentially have impacted on the timeliness of the action being taken to address the issues at NEH.

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Volume of Reports and Information Available

4.33. As has been highlighted above, numerous reports regarding the building condition and fire safety at NEH have been received from various organisations at a significant cost to the Council. A list of reports and associated costs are attached at appendix one.

4.34. Our review found a lack of collaboration between teams working on the project with several teams and **REDACTED** all commissioning different organisations to conduct surveys and produce reports, which have often resulted in contradictory findings. For example, the **REDACTED** report received by the Council on 21 July 2020 stated that there were critical deficiencies in the NEH building that would lead to significant and potentially devastating consequences if there was a fire. However, at the same time, **REDACTED** commissioned **REDACTED** to conduct the annual fire safety risk assessment, and their report was received on 31 July 2020 stating that the risk was 'low.'

4.35. Several internal briefing documents have also been produced providing contradictory information to that stated in the report of 21 July 2020. For example, on 17 December 2020, the Council's lead for fire safety produced a briefing document for senior managers that stated *'it is deemed that the risk to life in case of fire at New England House is low. The risk to property, in case of fire is considered to be medium to high, due to the damaged compartmentalisation. For these reasons, I advise it is not necessary to shut down the building until the work has been carried out.'*

4.36. It is noted that the above briefing document references comprehensive discussions with both **REDACTED** and ESFRS. However, at the time of this review, staff at ESFRS had not had sight of the fire consultant's report from 2020, and whilst they did meet Council staff at NEH in December 2020, this was an informal discussion around improving fire safety in the building. No inspection of the building or tenant units took place.

4.37. The high volume of reports and internal briefing documents with often contradictory information may have impacted on staff's understanding of the potential risk at NEH and, as a result, they have failed to act with urgency to escalate matters where appropriate.

4.38. Despite the high volume of reports that have been received, it is noted that little action appears to have been taken in response to any of the reports' findings. This has often led to duplicate surveys being conducted and reports being produced several years later. As an example, **REDACTED** have produced several fire safety reports and **REDACTED** have produced several appraisals of the building since 2020.

Lack of Staff Resources

4.39. The refurbishment and expansion of NEH is a large-scale project that requires resources from several different service areas. However, it is unclear which service area was ultimately responsible for progressing the project. Furthermore, several staff have commented that there has been a lack of resources to deal with such a large-scale project whilst attempting to deliver business as usual activities.

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4.40. Historically, progress of the project appears to have been reliant on staff working in the Architect and Design Team. However, there appears to have been a hiatus in progress during the COVID-19 pandemic when staff in this team were 'stood down' and instructed to focus on other projects. Some staff were stood down for several years shortly after the fire consultant report was received in July 2020 and this may have impacted on the progress made to address the findings detailed in the report.

Lack of Financial Resources

4.41. As previously noted, the project required a total investment of £24.53m to enable the refurbishment and expansion of NEH and, whilst the Council received grant funding of £4.9m and £6.1m from a land deal, it did not raise the rest of the funding, leaving a significant shortfall in the total investment required to complete the project.

4.42. Staff have confirmed that, despite the financial resources to deliver the preferred option for the development of the building not being available, the project continued to progress to a design phase, leading to the commissioning of various surveys at a significant cost to the Council.

4.43. The lack of available funding may have also contributed to the failure to address the fire safety concerns, which were recently estimated as costing approximately £27m in a feasibility study produced by **REDACTED**. This is corroborated by the current Project Manager, who has drafted a discussion paper that notes the work required is complex and will cost an estimated £26.29m. The paper also states that the previous funding that was ringfenced for the refurbishment and expansion of NEH has now been spent, with £10.07m remaining allocated within the Council's capital programme.

Continuity of Record Keeping

4.44. Historically, there has not been a central repository or defined member of staff responsible for maintaining records relating to NEH. This has resulted in a lack of audit trail of work conducted, and consequently various survey being commissioned more than once.

4.45. The lack of central repository has also meant that staff newly appointed to, or returning to, the project have been unable to easily identify progress made and action required. This is potentially an explanation to why duplicate surveys were requested when staff were reappointed to the project in 2023.

4.46. It is noted, however, that since the appointment of the new Project Manager, a SharePoint site has been established to store all documentation relating to NEH.

5. Recommendations

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In response to the issues highlighted above, the table below contains a number of recommendations for management to consider, all of which are intended to strengthen arrangements and help avoid future repetition.

#	Recommendation	Agreed Action
1	All staff involved in contract management should undertake relevant training to ensure they fully understand their roles and responsibilities relating to the management of contracts.	Included in the priority programme of training for leadership development, People and Innovation Team to lead on this action.
2	In the case of all projects, appropriate and proportionate project management disciplines should be applied, in line with organisational standards. As a minimum, this should include fundamentals such as a project brief and project plan with timescales, roles and responsibilities and resources clearly defined.	Innovation team to review current approach to and principles of programme and project management and lead on training and development for all involved in leading projects and programmes
3	The Council should consider mechanisms for helping to ensure that all staff, whether working on defined projects, or delivering business as usual activities, understand their responsibilities with regard to raising concerns and escalating issues of importance. This may be through establishing guidance and embedding behaviours within the organisational culture.	As part of the Programme and Project management training the importance of escalation via 1 to 1's and project board processes to be emphasised and embedded. As part of this, a lessons learnt session at Leadership Network looking at Grenfell lessons learnt, with action for leaders to take this learning into teams.
4	For all projects, appropriate arrangements should be put in place to ensure that all relevant project records and documentation are retained and accessible, possibly through a relevant SharePoint site. This will enable an audit trail of project activity and decision-making and will help ensure continuity of record-keeping in the event of staff turnover.	Standard approach for retention of project documentation using SharePoint/Teams Groups to be developed and rolled out via BIMs.
5	Given the costs involved, care should be taken to ensure that external surveys and reports are only commissioned where there is an appropriate need. Where such reports are received, management should ensure that appropriate action is taken in response to any findings and recommendations.	Clear governance structure for all programmes, and clear ownership of any report commissioned – with clarity on the reason that a report is commissioned, expected outcomes from the report, and who is responsible for taking forward recommendations before reports are commissioned.

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6	Staff should arrange a full consultation with the fire safety consultant, **REDACTED**, and ESFRS, in order to come to a definitive view as to the fire safety concerns at NEH. Any actions required as a result should be immediately addressed in order to ensure the building is safe for continued use.	Action to support this recommendation is occurring monthly, including Fire Consultant, Programme Manager, lead architect and Fire Consultant.

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Appendices

Appendix 1 – Reports Available:

Date	Produced by:	Title	Comments	Cost
November 2017	**REDACTED**	Review of Condition of New England House.	Unclear who commissioned the report, who received it and what action was taken.	Unknown.
21 July 2020	**REDACTED**	New England House Appraisal of the Existing Building.	Report identifies the consequences for life safety, in the event of fire, could be 'Extreme Harm.'	£13,974
31 July 2020	**REDACTED**	Fire Risk Assessment.	Provided to the Council on 28 August 2020. States the fire risk is low.	£1,390
31 July 2020	**REDACTED**	Health and Safety Report.	Provided to the Council on 28 August 2020. States the risk is low.	Included in above price.
2 September 2020	**REDACTED**	Appraisal of Concrete Frame.		£2,220
7 December 2020	Internal Briefing Note	Briefing Note – Fire Safety Deficiencies in New England House.	States a site visit has been conducted with **REDACTED** and ESFRS. States the risk to life is low and building can remain open.	
8 December 2020	**REDACTED**	Appraisal of Concrete Frame.		£3,888
29 September 2021	**REDACTED**	Annual Fire Survey.	Commissioned by **REDACTED**.	£1,520
14 July 2023	**REDACTED**	Fire Door and Compartmentation Survey.	Commissioned by Morgan Sindall. States that fire doors and compartmentation are inadequate and require immediate action.	£86,729

Appendices

Date	Produced by:	Title	Comments	Cost
1 September 2023	**REDACTED**	Annual Fire Survey.	Commissioned by **REDACTED**.	£1,520
11 March 2024	**REDACTED**	Appraisal of Concrete Frame.		£2,929
12 March 2024	**REDACTED**	Intolerable and Substantial Risk Letter.	States that fire work is 865 days overdue. Refers to the Firenta Report of 2020 and Litgas Report of 2021.	
5 July 2024	**REDACTED**	New England House, Unit Assessment and Update.	Identifies LPG Gases in the building and that immediate action is required.	£25,830
26 August 2024	**REDACTED**	Fire Mitigation Feasibility Estimate.	Estimates the required work at NEH to be £27m	Unknown
3 September 2024	Internal Briefing Note prepared for ESFRS	New England House.	Highlights the serious fire risks in the building.	
9 September 2024	**REDACTED**	Fire Mitigation Feasibility Estimate.	Now estimates the required work to cost £9m.	Unknown
16 September 2024	**REDACTED**	Annual Fire Survey.	Commissioned by **REDACTED**.	£1,520
17 September 2024	**REDACTED**	Intolerable and Substantial Risk Letter.	States fire safety work is overdue.	
26 September 2024	Internal Briefing Note	New England House, Brighton – Fire and Safety	Issued internally. However, CEO not copied in.	
6 November 2024	**REDACTED**	Draft Risk Summary	Issued to Architects and Regeneration Officers ahead of a meeting that took place on 7 November 2024.	£8,925

Brighton & Hove City Council

Audit, Standards & General Purposes Committee

Agenda Item 12

Subject: **Formal approval of the Annual Governance Statement 2024-2025**

Date of meeting: **24th June 2025**

Report of: **Director, People & Innovation**

Contact Officer: **Name: Rima Desai, Luke Hamblin**
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 The council is required to conduct a review of its system of internal control and prepare an Annual Governance Statement (AGS) to report publicly on the extent to which it complies with its own code of governance.

1.2 The AGS is a valuable means of communication, enabling the council to explain to the community, service users, taxpayers, and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes.

1.3 The AGS directly supports the Council Plan Outcome 4: A responsive council with well-run services – Good governance and financial resilience.

2. Recommendations

2.1 Committee approve the Annual Governance Statement 2024-2025 attached as Appendix 1. Once approved, the AGS will be signed by the City Council's Leader and the Chief Executive before publication alongside the City Council's Accounts.

3. Context and background information

3.1 Good corporate governance in Brighton & Hove City Council is about doing the right things in the right way ensuring we are well-run and responsive enabling delivery of our vision to be a city to be proud of, a healthy, fair and inclusive city where everyone thrives. It is about:

- 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

3.2 We have used the CIPFA/SOLACE guidance refreshed in 2021 to comply with the Good Governance Framework which sets our seven core principles to achieve good governance as follows:

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 outcomes
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
F. Managing risks and performance through robust internal control and strong public financial management
G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

3.3 In 2024/25 we took actions in the light of the AGS which saw us strengthen our governance in many areas such as adopting a new Leader and Cabinet system, launching organisational redesign and Learning Organisation framework, developing our Corporate Leadership Plan, developing Medium Term Financial Strategy and initiating LGA Corporate Peer Challenge.

3.4 This review of governance arrangements identified two broad outcomes where further improvements are needed. Delivery of the actions to achieve these outcomes, as detailed below, will contribute to achieving our mission of a responsive council with well-run services. These will be included in our refreshed Corporate Leadership Plan and will be owned and driven by the Corporate Leadership Team.

Outcome: A financially sustainable and resilient council

1. Continue to focus on strong financial management across the organisation, including tight monitoring of budgets and identification of mitigations and recovery plans where pressures exist
2. Reset the Medium-Term Financial Strategy MTSF (including a financial resilience framework) to revise targets for reserves levels and respond to external audit and LGA peer challenge feedback
3. Ensure Innovation & Change programmes and delivery plans are in place to underpin the MTFS for years 2-4 of the strategy

4. Develop a capital receipts delivery plan and maintain control over the capital programme to ensure funding is in place to underpin the MTFS
5. Implement actions from audit findings to improve key financial systems, e.g. HR/Payroll, Council Tax, Accounts Receivable
6. Develop and implement Innovation & Change approach, including governance, to ensure focus remains on delivery of the Council Plan, MTFS and embedding Learning Organisation
7. Improve contract management compliance and oversight across the organisation

   Outcome: Becoming a learning organisation by embedding our ways of working
8. Improve governance arrangements for the delivery of Digital, Data & Technology Strategy
9. Improve organisational resilience and compliance through resetting governance arrangements for Health & Safety
10. Improve consistency in the quality and use of data to manage the quality and safety of our housing stock
11. Ensure consistency across all client groups for managing risk for service users on waiting lists for Adult Social Care
12. Operationalise the Learning Framework

4. Analysis and consideration of alternative options

4.1 Reflecting the CIPFA guidance and taking account of feedback from external auditors, we have taken the opportunity to review the content and format of our Annual Governance Statement and compare it with those of other authorities. We consider that our approach accords with the CIPFA guidance, is backed up by our embedded operating arrangements, is proportionate and evidence of good governance.

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. Financial implications

6.1 Good corporate governance and effective systems of internal control are essential to the financial health and reputation of the council. The resources required to implement the proposed actions to strengthen the governance arrangements are generally provided for in the agreed 2025/26 budget but will be kept under review and may need further consideration where improvement actions require additional resources. This will also inform the in-year management of the 2025/26 budget and/or preparation of the 2026/27 budget.

6.2 As set out in the main body of the report, financial sustainability and the need to build up financial resilience is a key issue given the Council's low level of reserves and significant service pressures that exist (particularly for

temporary accommodation and social care). This will require significant attention over the course of the financial year.

Name of finance officer consulted: John Hooton
Date consulted: 05/06/2025

7. Legal implications

7.1 The Council is subject to a duty to ensure that its financial management is adequate and effective and that it has a sound system of internal control, including arrangements for the management of risk. The Accounts and Audit Regulations 2015 require the Council to conduct a review of the effectiveness of its system of internal control at least annually and to prepare and publish an annual governance statement alongside its statement of accounts.

The Council has delegated to the Audit, Standards & General Purposes Committee the responsibility for considering the outcome of the annual review of governance arrangements and for approving the Annual Governance Statement. In this way, the requirements of the Regulations are met by a Committee of the Council that has been designated for this purpose.

Name of lawyer consulted: Victoria Simpson
Date consulted: 10/06/2025

8. Risk implications

8.1 Good governance and robust systems of internal control enable the council in identifying and delivering its intended outcomes for stakeholders. If the actions outlined in section 3 are not delivered that could further impact the financial sustainability of the council, affecting our reputation as a city leader, and reducing our ability to deliver a better Brighton and Hove for all.

These actions will be monitored through the Corporate Leadership Plan to ensure appropriate oversight and intervention where necessary.

9. Equalities implications

9.1 The Annual Governance Statement links to the Performance Management Framework through which as an organisation we have an oversight of our progress in becoming a more fair and inclusive council. The Corporate Equalities Delivery Group has the governance oversight of the Fair & Inclusive corporate programme linked to Directorate Equalities Delivery Groups.

10. Sustainability implications

10.1 The AGS links to the Performance Management Framework through which we have an oversight of our progress in becoming a more sustainable organisation. This is managed through the Net Zero programme, climate

change strategic risk (SR38), net zero corporate key performance indicator and actions to reduce carbon footprint.

11. Conclusion

11.1 This Report provides reassurance regarding the Council's commitment to implementing the actions identified in the Annual Governance Statement and the arrangements put in place to monitor progress through regular review of actions.

Supporting Documentation

1. Appendices

1. Draft Annual Governance Statement 2024-2025

Annual Governance Statement 2024/25

Brighton & Hove City Council

Page	Contents
3	Assurance statement
4	Purpose
5	What is Corporate Governance
6	The 7 principles of Good Governance
7	The process for development of the AGS for 2024/25
9	Additional key actions delivered in 2024/25 to strengthen governance
10	Actions focused on strengthening governance in 2025/26
12	Appendix 1: Progress on 2023/24 AGS actions
16	Appendix 2: Opinion of Internal Audit for 2024/25
17	Appendix 3: External auditor report to AS&GP Committee
18	Appendix 4: Performance Management Framework
24	Appendix 5: Risk Management Framework
29	Appendix 6: Independent risk assurance
36	Appendix 7: Policies, Processes & Strategies
40	Appendix 8: Bodies BHCC works closely with and/or whose board BHCC nominates members to

We at Brighton & Hove City Council are committed to effectively and efficiently deliver outcomes in our Council Plan to make a better Brighton & Hove for all.

The Annual Governance Statement provides an accurate account of the governance arrangements within our organisation. It seeks to provide assurance on the effectiveness of these arrangements and identifies areas of improvement going forward. This statement is formally approved by the Council's Audit, Standards and General Purposes Committee each year.

In 2024/25, we made significant progress in strengthening our governance arrangements, including adopting a Leader and Cabinet system, developing our Corporate Leadership Plan and starting our journey to becoming a Learning Organisation. In the context of a constantly changing external environment, more demand for council services and less resource to provide them, we are committed to ensuring best value for our residents.

It is our opinion that the governance arrangements in 2024/25 were robust and worked well to identify areas where we are doing well, areas of risk and areas of improvement. The details of priority areas for improvement are included in this document. We are committed to delivering the actions identified and will monitor their implementation and report progress to Cabinet and in the next Annual Governance Statement.

Signed:

Councillor Bella Sankey,
Leader of the Council

Date: XX/XX/2025

Signed:

Jess Gibbons,
Chief Executive

Date: XX/XX/2025

Purpose

- To fulfil the statutory requirement for each local authority to conduct a review of its system of internal control against our Local Code of Corporate Governance and the 7 principles of good governance and to publish an AGS at least once every financial year

- To demonstrate that there is a sound system of governance

- To outline our progress in 2024-25 and help us take further actions to improve governance for delivery in 2025-26

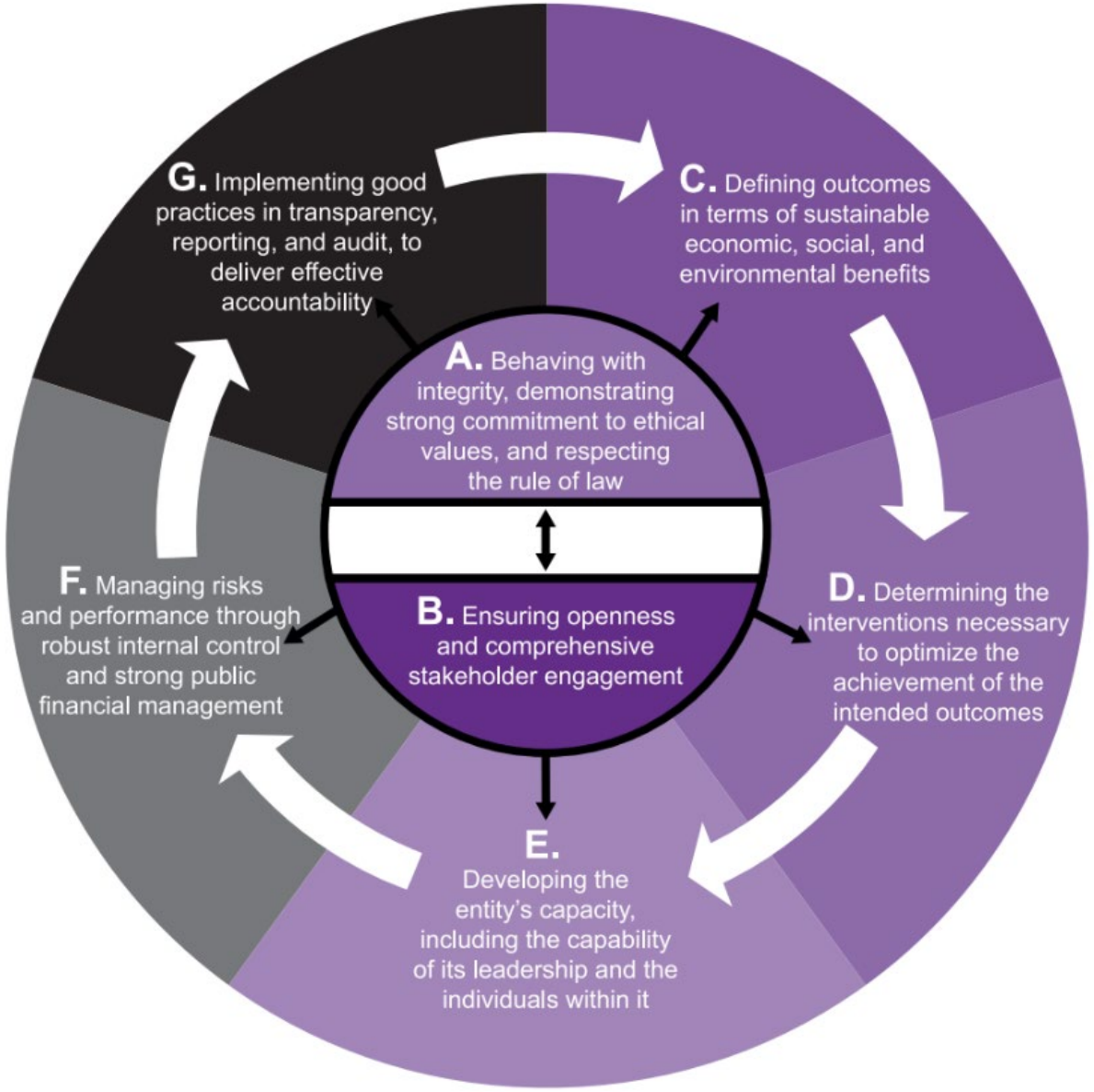
The focus of the AGS is on assessing our governance arrangements, to identify areas of strength and significant weaknesses in internal controls rather than assessing our performance.

What is corporate governance?

Good governance in local authorities is key to ensuring the council does the right things in the right way for the right people

- It creates a culture based on openness, inclusivity and honesty
- It ensures ongoing continuous improvement to further strengthen the way the council operates
- It demonstrates effective leadership, including accountability and transparency in actions and decisions
- It puts the arrangements in place to ensure that the intended outcomes for stakeholders are defined and achieved
- It keeps the council's focus on the needs of service users and the public, ensuring public money is safeguarded, accounted for and used efficiently and effectively
- It ensures robust systems and processes are established and followed

The seven principles of Good Governance



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 outcomes

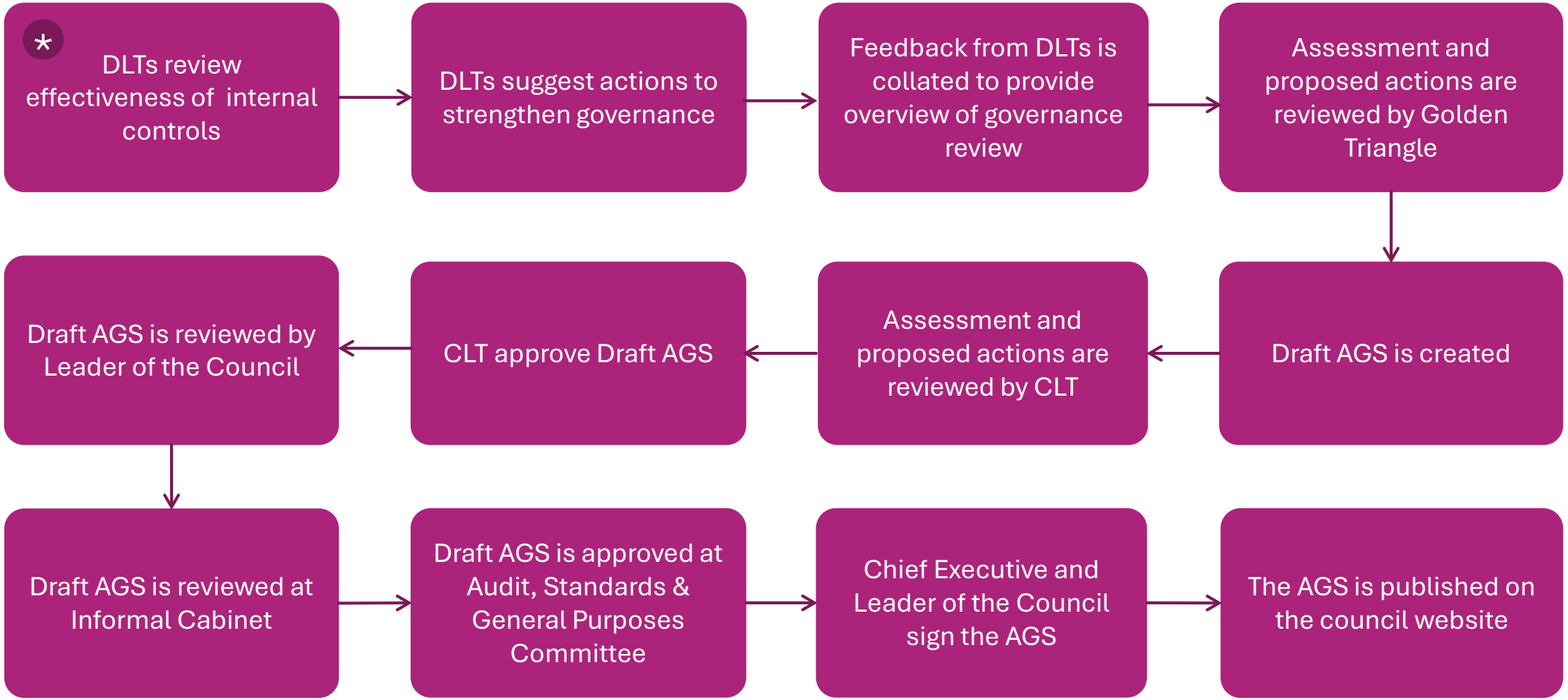
E. Developing the entity's capacity, including the capacity of its leadership and with individuals within it

F. Managing risks and performance through robust internal control and strong public financial management

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

'Delivering Good Governance in Local Government Framework 2014' published by CIPFA/IFAC

The process for development of the AGS for 24/25



* please see the next slide outlining information taken into account when assessing arrangements

Information considered when developing the AGS

- Finance management reports including statement of accounts
- Key performance indicators
- Corporate Leadership Plan progress
- Internal audit reports including follow up audits
- Strategic and Directorate Risk registers
- External auditor report
- External inspection outcomes
- Customer insights (including member complaints and any Ombudsman reports)
- Our people data
- Health & safety data
- Programme and Project data
- Member reports and input

Additional key actions delivered in 2024/25 to strengthen governance

- Adopted new Leader & Cabinet system
- Launched organisational redesign and Learning Organisation Framework launched
- Developed Corporate Leadership Plan
- Updated the Local Code of Corporate Governance
- Developed Medium Term Financial Strategy
- Initiated LGA Corporate Peer Challenge
- Updated Risk Management Framework
- Implemented additional recruitment & spending controls
- Established Information Governance Board

Our review of governance arrangements identified two broad outcomes where further improvements are needed. Delivery of the actions to achieve these outcomes, as outlined below, will contribute to achieving our mission of a responsive council with well-run services. These will be included in our refreshed Corporate Leadership Plan and will be owned and driven by the Corporate Leadership Team.

Outcome: A financially sustainable and resilient council

Key deliverables linked to this outcome:

- Continue to focus on strong financial management across the organisation, including tight monitoring of budgets and identification of mitigations and recovery plans where pressures exist;
- Reset the Medium-Term Financial Strategy MTSF (including a financial resilience framework) to revise targets for reserves levels and respond to external audit and LGA peer challenge feedback;
- Ensure Innovation & Change programmes and delivery plans are in place to underpin the MTFS for years 2-4 of the strategy
- Develop a capital receipts delivery plan and maintain control over the capital programme to ensure funding is in place to underpin the MTFS;
- Implement actions from audit findings to improve key financial systems, e.g. HR/Payroll, Council Tax, Accounts Receivable;
- Develop and implement Innovation & Change approach, including governance, to ensure focus remains on delivery of the Council Plan, MTFS and embedding Learning Organisation.; and
- Improve contract management compliance and oversight across the organisation.

Outcome: Becoming a learning organisation by embedding our ways of working

Key deliverables linked to this outcome:

- Improve governance arrangements for the delivery of Digital, Data & Technology Strategy
- Improve organisational resilience and compliance through resetting governance arrangements for Health & Safety
- Improve consistency in the quality and use of data to manage the quality and safety of our housing stock
- Ensure consistency across all client groups for managing risk for service users on waiting lists for Adult Social Care
- Operationalise the Learning Framework

Appendix 1: Progress on 2023/24 AGS actions (1/4)

AGS 2023/24 action	Lead Officer	Corporate Leadership Plan action 2024/25	Q4 Status
Develop and deliver a robust and sustainable medium term integrated service and financial plan (MTFSP)	Chief Finance Officer	Develop a 4-year balanced medium term financial plan and a fully funded capital programme	
A revised Medium-Term Financial Strategy (MTFS) with updated resource and cost projections was approved at the Budget Council on 27th February 2025, reflecting the final local government finance settlement and identifying a savings requirement of £60.3 million over the next four years, including £15.8 million in 2025/26. Detailed savings proposals for 2025/26 and areas of focus for transformation and savings, alongside target savings for 2026/27 to 2028/29, have been included. A minimum of £20 million from the Transformation/Innovation Fund has been allocated over the four-year period, and business cases to support transformation and savings are in the process of being approved from these resources. The Transformation/Innovation Fund relies on the flexible use of capital receipts, and the Capital Asset Strategy, due to be approved at Cabinet on 24th April 2025, focuses on generating capital receipts from asset sales. Additionally, a fully funded capital programme was approved at Budget Council on 27th February 2025. Strong financial controls have significantly reduced the projected overspend for 2024/25 by the end of February 2025, providing a stronger base for 2025/26 onwards. (25/26 – identify detailed savings through for 26-29)			
Improve the Payroll and Pension Service	Chief Finance Officer	Improve the customer experience and operational efficiency within Council Tax, Housing Benefits and Pension and Payroll Service.	
Work is underway to create e-learning and bite-size videos to educate employees about Pier self-service, enhancing their understanding of system capabilities and data content. Development of a workflow solution for customer contact, with potential delay implementation of the EDM if it is still the appropriate solution. Continuous improvement resources have been dedicated to each area, prioritizing process enhancements that can improve customer experience and integrate into business as usual. The Corporate Systems Improvement (CSI) programme has been initiated, with a programme manager recruited, governance documents developed, and alignment secured with the sponsor.			

Progress on 2023/24 AGS actions (2/4)

AGS 2023/24 action	Lead Officer	Corporate Leadership Plan action 2024/25	Q4 Status
Improve contract management compliance across the organisation	Chief Finance Officer	Maintain the Contract Management Framework, including changes required by new procurement regulations, compliance with standing orders and implement improved oversight over contract management across the council.	
New Procurement legislation has been introduced and a refreshed contract standing orders approved and introduced. A Procurement Forward Plan for 2025/26 ha been approved by the Corporate Leadership Team. Contract Management training has been delivered to over 160 officers. A significant reduction in staffing within the Contract and Supply team has reduced the capacity to adequately support the council. It is essential to develop a recruitment plan alongside the business case for increased contract management capacity.			
Implement actions emerging from audit findings to improve key financial systems (e.g. housing rent, housing benefits, council tax)	Chief Finance Officer	Implement actions emerging from audit findings to improve key financial systems (including pension/payroll, housing rent, housing benefits, council tax) with a view to address partial assurance	
A follow-up audit of Council Tax now shows 'reasonable' assurance, indicating key actions are implemented. High priority actions on Payroll/Pensions are progressing, resolving critical issues like verification of over 19,000 pension records with East Sussex Pension Fund. The new payroll EDM system faces challenges and supplier concerns with Civica. High priority actions in Banking Security (PCI/DSS) and Housing Benefit are advancing well, with follow-up audits expected to improve opinions. Debt Management processes are under review, with some requiring system interventions or workarounds.			

Progress on 2023/24 AGS actions (3/4)

AGS 2023/24 action	Lead Officer	Corporate Leadership Plan action 2024/25	Q4 Status
Improve organisational resilience through robust emergency planning and business continuity planning arrangements	Head of Corporate Leadership Office	Improve organisational resilience through robust emergency planning and business continuity planning arrangements.	
An internal audit review of Business Continuity (BC) has been completed, upgrading the assurance level from partial to reasonable. A BC plans testing schedule has been developed and will commence in July 2025, with reporting to the Corporate Business Continuity Group. To establish a robust Emergency Preparedness (EP) and BC offer, greater accountability across the organization is needed, along with investment in resources and training, which will create a budget pressure. Failure to deliver robust EP and BC arrangements will jeopardize the council's ability to meet its duty under the Civil Contingencies Act. From July 2025, silver and bronze command levels will be introduced. Training for the Corporate Leadership Team (CLT), Directors, and relevant operational staff at gold, silver, and bronze command levels will be provided by an external supplier during May and June 2025. The reorganization of the EP Unit will create a council-wide team with the required capacity, skill, and experience to deliver the necessary level of EP and BC offer.			
Ensure effective governance of the implementation of the Digital, Data & Technology Strategy	Head of Engagement & Digital Innovation	Align the priorities and actions of the Digital, Data and Technology portfolio to support the delivery of the council plan priorities and support in the modernisation of service delivery	
An initial orientation session with the new lead member for transformation has taken place, with further sessions being planned. Plans for re-establishing DDaT governance have been agreed with the Director for City Operations. Progress in this area is currently awaiting the appointment of a new Director and new Business Partners.			
Implement an effective scrutiny function to provide robust 'critical friend' challenge to the executives	Director - Governance and Law	Provide an effective scrutiny service and develop a sustainable model for scrutiny function within financial constraints	
A programme of scrutiny committee meetings has been delivered, including 12 scheduled meetings across Place, People, and Health Overview & Scrutiny committees. Additionally, several special meetings have been arranged and delivered to support Overview & Scrutiny member involvement in pre-decision scrutiny prior to executive decisions. A Task & Finish Group looking at issues related to short-term holiday lets was established. The group held a series of evidence-gathering meetings, and members agreed on a report with recommendations that have been referred to the Cabinet for consideration. To date, there has been one call-in request (King Alfred), resulting in a special call-in meeting of the Place Overview & Scrutiny committee.			

Progress on 2023/24 AGS actions (4/4)

AGS 2023/24 action	Lead Officer	Corporate Leadership Plan action 2024/25	Q4 Status
Improve operational financial processes for adult social care clients in line with internal audit actions and other improvement plans	Director - Commissioning & Partnerships	Implement improvements to operational financial processes for Adult Social Care clients to improve efficiency and mitigate potential loss of income.	
Direct Payment Surpluses have reduced and overachieved on targets for 2024/2025. Additionally, Direct Payment reviews have been completed by a third party in line with the agreement.			
Ensure robust governance in order to meet Building Safety compliance requirements in council owned housing	Director - Homes and Investment	Invest in building and fire safety to meet new duties under the Building Safety Act and new Fire Safety (England) Regulations and ensure we are compliant with Health & Safety.	
We have obtained software, RiskFlag, for the management of Building Safety Case files and are inputting data for our high-rise blocks (HRB) with the goal of completing and having all blocks on the system by April 2025, which will serve as the base information rather than day-to-day updates. Follow-up and resources will be required, and a team will need to be established to continuously monitor and input information into RiskFlag from April 2025 onwards. New Mandatory Occurrence Reporting (MOR) and Safety Management System (SMS) procedures and processes are being developed and will be rolled out with training across all teams working on HRBs. Fire actions are being undertaken by the Repairs service and are on track; however, new FRA's starting January 2025 may increase pressure, necessitating further resources. The Fire team is currently depleted due to resignations, and recruitment is underway, but resources are not yet fully allocated. Structural and fire strategies are in progress with consultants and are under monitoring. Investment will be required for other fire-related works identified by our surveys, which will be capital works projects outside of the ongoing daily actions. We have commenced procurement of consultants for these works with the aim of building a program for 2026/27. Additionally, the building safety case requirement necessitates that other services and teams be more aware of these requirements and the need to be BSA aware before undertaking works on HRBs.			
Refresh Code of Corporate Governance to ensure robust governance	Head of Innovation	Refresh the Code of Corporate Governance to ensure clarity on governance arrangements	
The Code of Corporate Governance was refreshed and approved at Audit, Standards & General Purposes committee in January 2025.			

Based on the internal audit work completed, the Chief Internal Auditor can provide

Partial Assurance*

that Brighton & Hove City Council has in place an adequate and effective framework
of governance, risk management and internal control for the period of
1st April 2024 to 31st March 2025

Chief Internal Auditor, Russell Banks
Audit Manager, Carolyn Sheehan

* Assurance can never be absolute. In this context 'partial assurance' means there are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of some organisational objectives at risk.

Appendix 3: External auditor report to A&S Committee

Criteria	2022/2023 Auditor judgement on arrangements		2023/2024 Auditor judgement on arrangements		Direction of travel
Financial Sustainability	R	Significant weakness in arrangements identified, key recommendation made and two improvement recommendations raised	R	The significant weakness in arrangements for financial sustainability remains and the key recommendation was amended to reflect current arrangements. Four improvement recommendations were also raised	↔
Governance	A	No significant weaknesses in arrangements identified but two improvement recommendations made	R	A significant weakness in governance arrangements was identified, relating to the internal control, standards and behaviour of staff within the CItyClean service. A key recommendation has been made with two improvement recommendations.	↓
Improving, economy, efficiency and effectiveness	A	No significant weaknesses in arrangements identified but two improvement recommendations made	R	Significant weakness in arrangements in relation to its social housing compliance with the Social Housing Regulator. A key recommendation has been made with two improvement recommendations.	↓

G No significant weaknesses in arrangements identified or improvement recommendations made

A No significant weaknesses in arrangements identified but improvement recommendations made

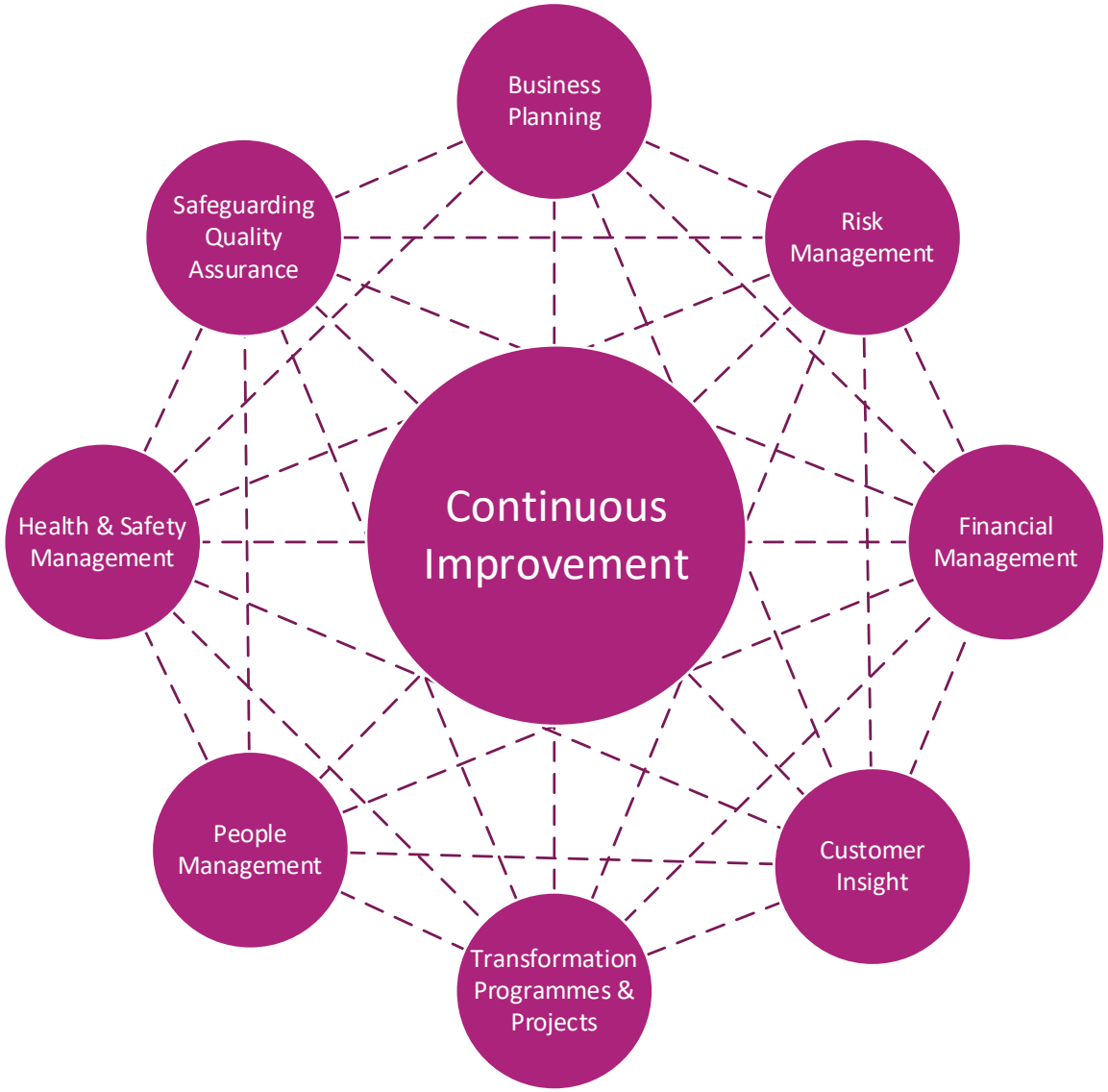
R Significant weaknesses in arrangements identified and key recommendations made

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 are a key element of our Corporate Governance and allow us to understand the performance of the council as a whole which provide us with a 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:

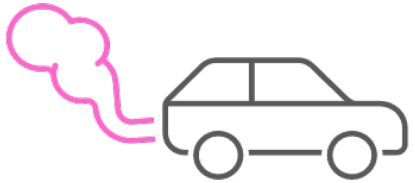
- strong leadership at all levels which is consistent and fair and challenges blame culture
- commitment to the accountability that has been assigned to individuals
- the right information reaching the right people at the right time so that decisions are made and actions are taken
- ongoing evaluation,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



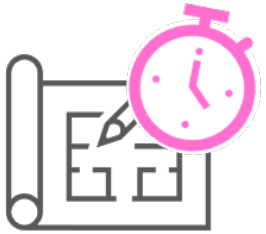
Position based on performance information as of Dec 2024 (2/6)

A city to be proud of

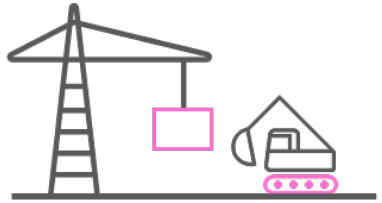
What we've achieved



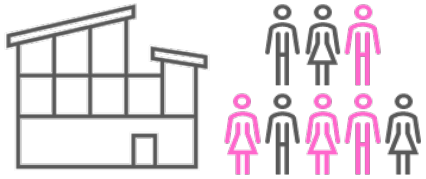
Continued improvements in air quality across the city (Nitrogen Dioxide levels) from 36.1µg/m3 in Mar 24 to 30.03µg/m3 in Dec 24



% of major & non-major planning applications decided within agreed timeframes significantly above target

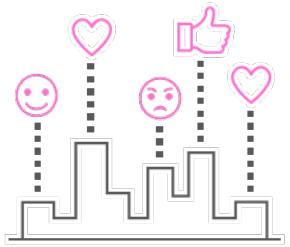


Regeneration has started on sites at Madeira Terrace and Valley Gardens 3 and key milestones reached at Black rock



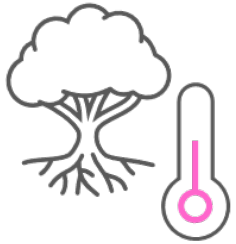
Over 1.7m attendances at council owned indoor sports facilities in the calendar year 2024

A 19% increase in attendances for Oct-Dec when comparing to 2023



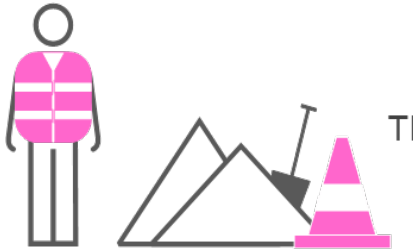
50% increase in engagement with the public consultation on the City Plan to shape sustainable development

Challenges and areas of focus



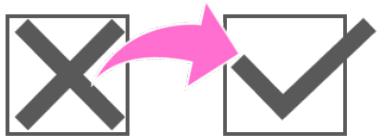
Preserving the future of our trees by limiting the spread of disease

Improving the reliability of our refuse and recycling collection service by reducing the number of reported missed collections per 100,000 from 615 to under 512 (*target value*)



The future maintenance of roads and pavements (*Strategic Risk*)

Increase our recycling Rate to from 27.5% to 33.2% and reduce residual household waste from 564kg to below 531kg (*target value*)



% of major planning applications decisions that are overturned on appeal

Position based on performance information as of Dec 2024 (3/6)

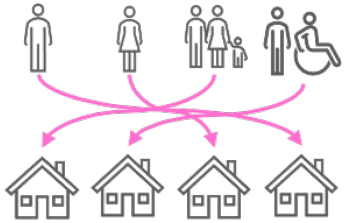
A fair and inclusive city

What we've achieved

Thriving Communities Investment Fund grant agreements (2025-2029) completed with new funded partnerships to go live in April 2025.

99 empty private sector homes have been brought back into use in the last year

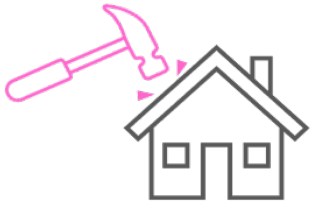
Approval of a new Housing Allocations Policy to prevent homelessness, reduce temporary accommodation use, and enhance safety for social housing tenants escaping domestic abuse.



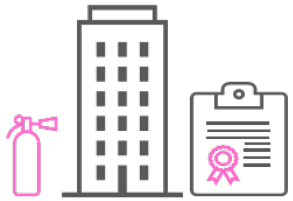
67.44% [12% above benchmark] of homelessness prevention cases have been closed with a successful prevention outcome, supporting residents into settled accommodation

2 additional Changing Places toilets opened in the city, increasing the number across the city to 6 and making Brighton & Hove more accessible

Challenges and areas of focus

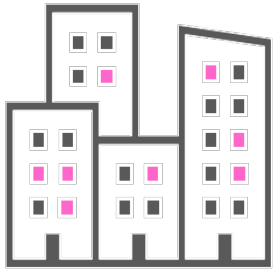


Increase the number of routine housing repairs completed on time from 46% to 70% (*target value*) [*New jobs are at 62%*]



Delivering planned improvement works to council homes and evidencing compliance with building and fire safety regulations for council homes

Increasing the number of homelessness cases presenting during the prevention duty stage from 31.71% to 50% (*target value*)



Total number of households in temporary accommodation 1,928 to 1,770 (*target value*)

Increasing the % of rent collected from current tenants of council homes from 93.07% to 95.6% (*target value*)

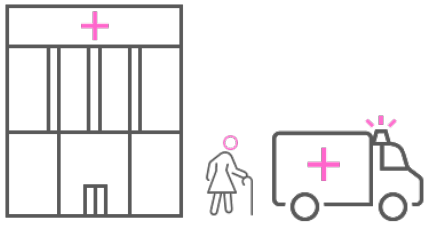
Position based on performance information as of Dec 2024 (4/6)

What we've achieved

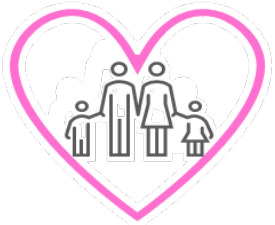
84.6% of people who use ASC services have control over their daily life, 7.4% higher than the England average of 77.2%

75.3% of Education, Health & Care Plans (EHCP) issued within 20 weeks, 18% above target

89% of Initial Child Protection Conferences are held within 15 working days of a strategy discussion



The Hospital Social Work team has supported a consistent rate of 90% of discharges to the usual place of residence



89.6% [5.1% above benchmark] of Strengthening Family Assessments completed in 45 days, ensuring timely support is initiated to meet family needs

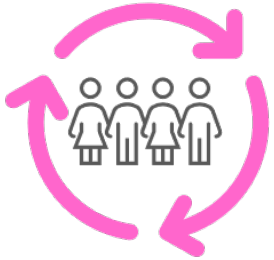
A healthy city where people thrive

Challenges and areas of focus

Increased complexity in social care cases for adults and children places additional demands on services

Falling numbers of school aged children present significant challenges in school placements and balancing school budgets

Children's social care reforms will be a challenge in the context of devolution/local government reorganisation



Supporting children at risk of disadvantage through their education to achieve better outcomes

Care Quality Commission inspection for adult social care services

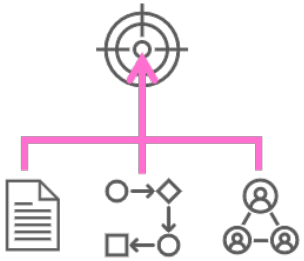
Position based on performance information as of Dec 2024 (5/6)

A responsive council with well-run services

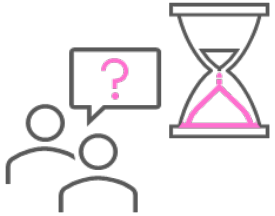
What we've achieved

Balanced budget for 2025/26 and MTFS agreed at Council

Approved devolution proposals for a new Strategic Authority for Sussex, led by an elected Mayor



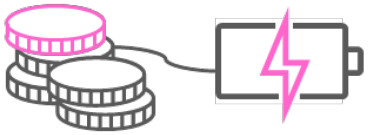
Refreshed our Local Code of Corporate Governance, approved at Audit, Standards & General Purposes Committee



85% of councillor enquiries received between October and December were responded to in 5 working days, an 8% improvement compared to Q2

Initiated new Health & Safety oversight arrangements to monitor compliance and drive improvements of health, safety and wellbeing

Challenges and areas of focus



Financial sustainability & organisational capacity (*Strategic risks*)

Reduce the average number of working days lost to sickness from 11.69 to 10.9 (*target value*)

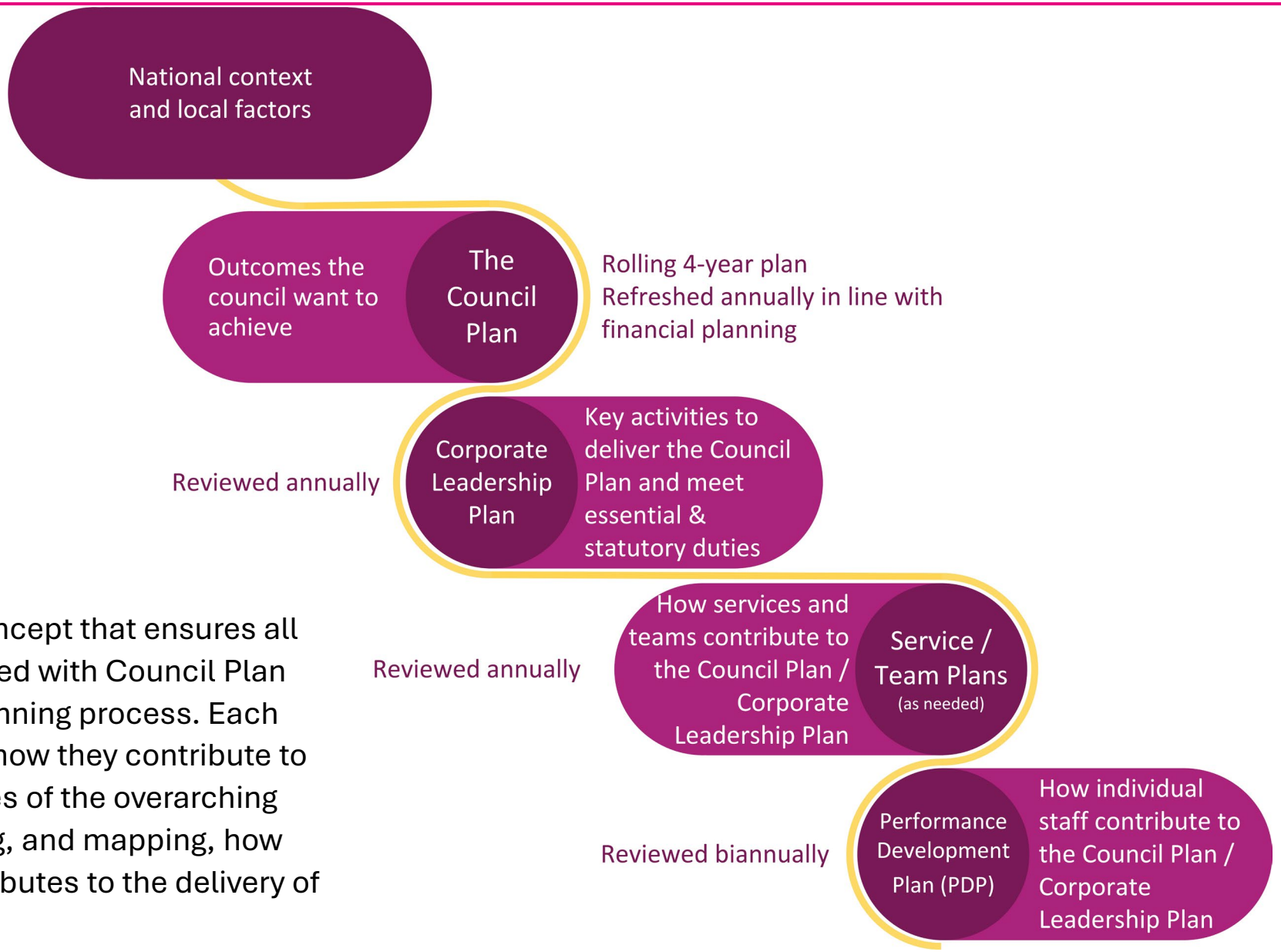
Procurement capacity and compliance with new Procurement Act (includes contract management)

Improve customer contact response times within Council Tax and Housing Needs services

Increasing the number of high priority audit actions implemented by their due date from 84% to 95% (*target value*)

Improving Stage 1 complaints responded to on time from 69.9% to 80%.

A 33% increase in Stage 2 complaints received



The Golden Thread

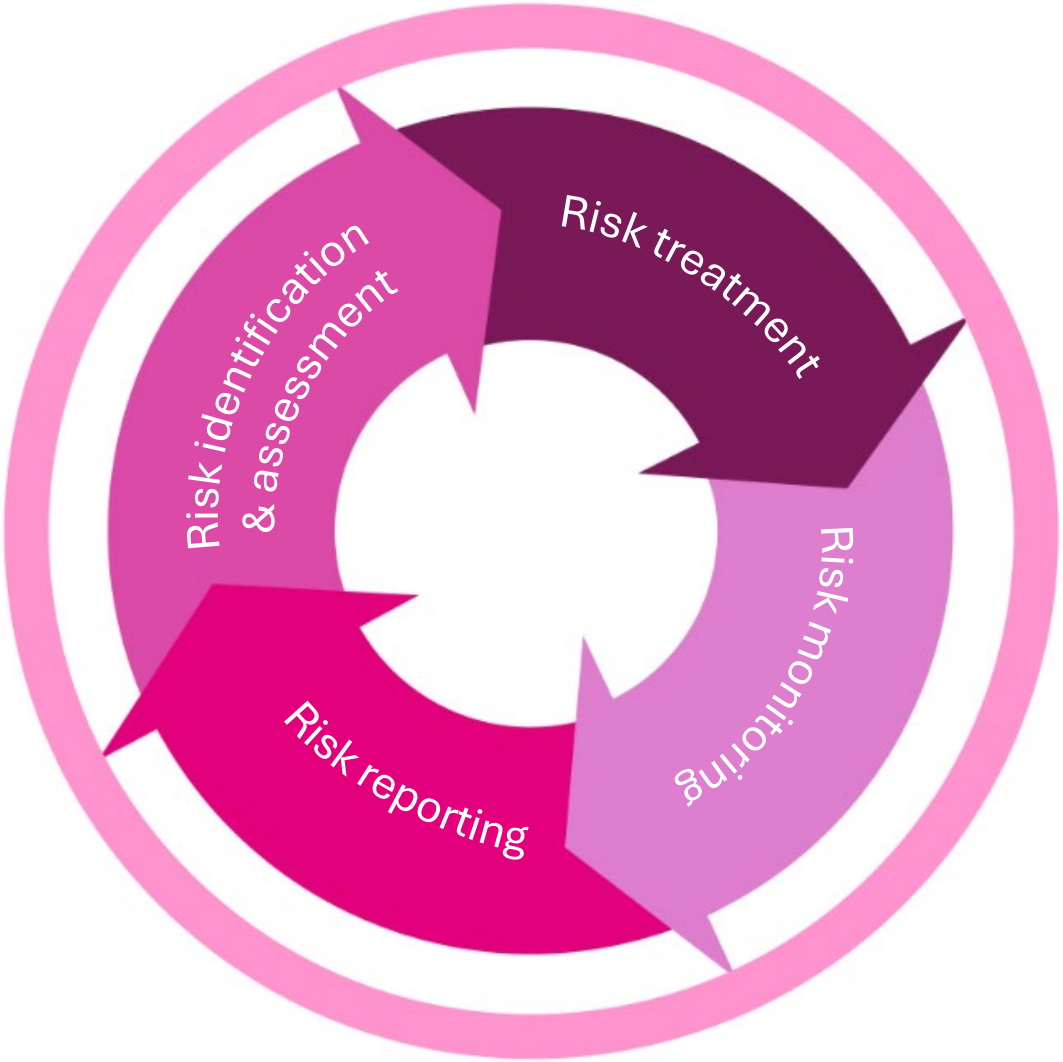
The Golden Thread is a concept that ensures all council activities are aligned with Council Plan outcomes through the planning process. Each plan should demonstrate how they contribute to the priorities and outcomes of the overarching plan, ultimately illustrating, and mapping, how each council officer contributes to the delivery of the council plan.

Risk Management Process

There are four steps in the risk management process:

- Risk identification & assessment
- Risk treatment
- Risk monitoring
- Risk reporting

The full Risk Management Framework can be found here



Risk management approach (2/5)

Risk description
- Risk title
- Risk owner
- Causes
- Impact

→

Existing controls
- Three lines of defence
- Effectiveness of controls

→

Current risk score
- Likelihood
- X
- Impact

→

Mitigating actions
- Risk action lead
- Target date

→

Target risk score
- Likelihood
- X
- Impact

193

Risks are prioritised by assigning risk scores 1-5 to the likelihood of the risk occurring, and the potential impact if the risk should occur. These are multiplied to give a total risk score.

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.

Risk Owners are asked to consider whether to treat, tolerate, terminate or transfer the risk. Risk actions should reduce the likelihood and/or impact – if neither are true, there will not be any reason to undertake the action.

Likelihood	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost certain (5)	5	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

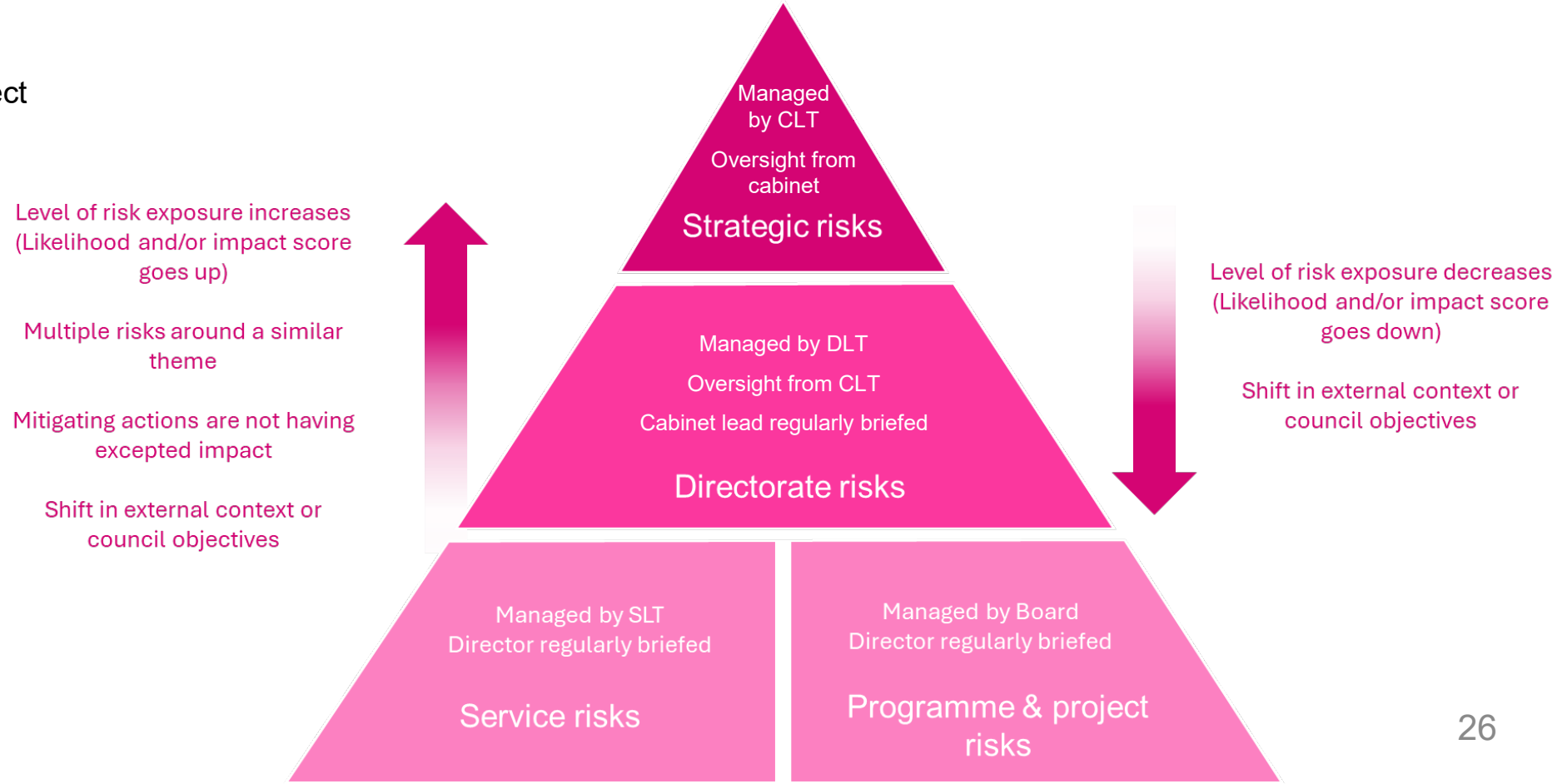
Impact

Risk management levels (3/5)

Risk identification and assessment must be prioritised and managed appropriately within the council to ensure proper allocation of resources and oversight. The level of oversight and management 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 management levels through reviews.

The council has three levels of risk management:

- Strategic (corporate)
- Directorate
- Service or Programme/Project



Risk ownership & accountability (4/5)

To ensure the effective and robust management of risk, specified council functions, members and officers are responsible and accountable for the management of risk.

The key responsibilities for the management and oversight of risk are detailed within Council's Constitution. This table outlines these responsibilities alongside those responsible for managing the process.

Role	Responsibilities
Cabinet	• Approval of the Risk Management Framework • Oversight and review of strategic risks
Audit, Standards & General Purpose Committee	• Oversight of the risk management framework and recommend improvements to strengthen risk management
Cabinet Portfolio Leads	• Oversight of relevant risks
Corporate Leadership Team (CLT)	• 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 CLT member is responsible for their Directorate Risk Register
Directorate Leadership Team (DLT)	• Management of the directorate risks, ensuring it contains appropriate risks, and they are managed effectively • Escalation/de-escalation of risks between service, directorate and strategic levels
Risk Owner	• 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

Risk assurance (5/5)

Risk assurance specifically refers to the processes and systems which can be used to hold the council to account and give confidence in how it delivers its duties, functions and outcomes through the management of risk.

Directly supporting the levels of risk management, the council uses the 'three lines of defence' model to assess and provide assurance of the effectiveness of our internal controls for any strategic risk.

The Three Lines of Defence model outlines three levels of assurance within our existing controls for each risk, providing evidence of the controls, oversight and existing processes specific to that risk.

The use of the Three Lines of Defence model demonstrates:

> plans to ensure that proper controls are in place
> that checks are in place for all areas of control
> the best use of the assurance process, i.e. all areas are checked have oversight and duplication is avoided

Independent assurances of the strategic risks are represented in the third line of defence. The risk register is one element that informs the Internal Audit Plan, but the planned audits will not cover all the strategic risks. Internal audit provides 3rd line of defence assurance on specific aspects of some of the strategic risks. Independent assurance over the internal controls OR arrangements in management of risk`

SR02 Failure to develop and deliver a Medium-term financial plan (MTFP) to ensure financial sustainability and resilience

1. Annual review of Value for Money (VfM) arrangements by the External Auditor leading to an opinion in the annual audit report. The last review (2022/23) concluded there were significant weakness in arrangements identified in relation to financial sustainability, with key recommendations made and two improvement recommendations raised.
2. Internal Audit reviews on all aspects of financial management, governance and reporting are undertaken on a rolling basis to provide management with assurance and recommendations for improvements. The Audit Plan and Strategy is agreed and monitored by Audit, Standards & General Purposes Committee on an annual basis. The committee also receives reports on high priority actions and limited assurance audits.
3. Internal audit reviews:
   - 2024/25: Accounts Payable (Reasonable), Treasury Management (substantial), Payroll (Partial), Housing Rents (Reasonable), Capital Programme budgetary Control (Reasonable), Home Purchase Scheme (Partial), Prepayment Vouchers- HUGGG (Partial), Budget Management - Effectiveness of Savings Targets Follow Up (Reasonable), General Ledger (Reasonable), PCI DSS Follow Up (Reasonable), Housing Benefit and Council Tax Reduction (Reasonable)

SR10 Failure to adequately protect information assets from a successful cyber-attack impacting our ability to deliver a responsive council with well-run services

1. Internal Audit:
    - 2024/25: Recovery and Resilience (including Cyber Security) arrangements (Reasonable), System Change Control and Release Management (Patch Management)(Reasonable), PCI DSS Follow up (Reasonable)
    - 2023/24: Procurement of IT Systems (Reasonable Assurance), Surveillance Cameras follow up (Reasonable Assurance), Robotic Process Automation (Reasonable Assurance), Eclipse Application Control (Reasonable Assurance), Accommodation Strategy & Workstyle Programme (Reasonable Assurance), Adult Services Data Handling (Reasonable Assurance), Childrens Services Data Handling (Reasonable Assurance), PCI/DSS (Partial Assurance)
2. IT Health Check (ITHC) performed by a 'CHECK'/'CREST' approved external service provider – covering both applications and infrastructure assurance. The ITHC approach has been updated to include one standard annual check and one targeted solution specific check (e.g. the mobile service).
3. Continued assurance from compliance regimes, including Public Sector Network (PSN) CoCo (Code of Connection); NHS Digital Data Security and Protection (DSP) Toolkit; and Payment Card Industry Data Security Standard (PCI DSS).

SR13 Not keeping adults safe from harm and abuse.

1. For the council's in-house registered care services Care Quality Commission (CQC) Inspections on an on-going regular basis. From 2023, all local authority adult social care services will be inspected by CQC.
2. CQC's programme of inspections of all registered care providers are published weekly and available on CQC's website www.cqc.org.uk.
3. Brighton & Hove Safeguarding Adults Board (BHSAB) is independently chaired and meets quarterly with the three statutory agencies for city wide safeguarding assurance. The Safeguarding Lead is a member of the SAR panel (multi agency, chaired by independent sector) where referrals for reviews are discussed in depth.
4. Local Government Association Test of Assurance in September 2022 provided recommendations that were reviewed at follow up session in April 2023.
5. Internal Audit
    - 2024/25: Direct Payments (Partial)
    - 2023/24: Adult Services Data Handling (Reasonable Assurance)

SR15: Failure to ensure effective safeguarding arrangements to keep children and young people safe from harm and neglect

1. Ofsted inspection of children's services arrangements in March 2024 - Outstanding. This provides external assurance on our safeguarding and care arrangements.
2. Ofsted and the CQC inspection of the council's SEND and Alternative Provision arrangements in March 2023. The council received outcome 1 which provides positive assurance around our social care arrangements for children with special educational needs and disabilities and confirmation that existing improvement plans are correctly focussed.
3. National Probation Inspectorate statutory inspection of the city's Youth Offending Service April 2021 - Outstanding grading across every domain.
4. Annual Engagement Meeting (AEM) with Ofsted HMI for social care and education. Most recently held in April 2024 and covered social care and education. A separate discussion focussing on Further Education and Skills and one on Special Educational Needs is due to take place later in 2024.
5. The Brighton & Hove Safeguarding Children's Partnership (BHSCP) commissions Independent Scrutiny (IS) for the partnership to provide external challenge to the businesses of the partnership, its meetings, subgroups and priorities.
6. Internal audit:
    - 2024/25: Early Help Services (Reasonable)
    - 2023/24: Childrens Services Data Handling (Reasonable Assurance), Risk Management Actions: Implementation and Progress Reporting (Substantial Assurance)
    - 2022/23: Home to School Transport (Reasonable Assurance)

SR18: Failure to invest in and maximise use of digital technology to enable a responsive council with well-run services

1. Internal Audit:
    - 2024/25: PCI DSS Follow Up (Reasonable), Housing Replacement Works Management System (Advice work)
    - 2023/24: Surveillance Cameras follow up (Reasonable Assurance), Robotic Process Automation (Reasonable Assurance), Advice work for ERP programme board and the housing works management system programme board, PCI/DSS (Partial Assurance)
    - 2022/23: Housing Management System (follow up) (Reasonable Assurance); Public Sector Bodies Accessibility Regulations (follow up) (Reasonable Assurance)

SR21: Failure to optimise council housing stock, make best use of available housing in the city and deliver new affordable homes

1. Internal Audit:
    - 2024/25: Housing Major and Planned Works Programme (Partial), Housing Rents (Reasonable), Home Purchase Scheme (Partial)
    - 2023/24: Housing Rents follow up (Partial Assurance), Housing Temporary Accommodation (Reasonable Assurance), Housing Allocations (Reasonable Assurance)
    - 2022/23: Housing Management System (follow up) (Reasonable Assurance)
2. Ministry of Housing, Communities and Local Government information quarterly returns on homelessness and rough sleeping
3. Homes England (HE) information returns where we have HE grant allocations. HE grant for homeless move on accommodation – regular updates to HE on scheme progress and draw down on grant.

SR24 Failure to provide an equitable approach to ensure equality of access, outcomes and experiences for all

1. Internal Audit:
    - 2024/25: Housing Benefit and Council Tax Reduction (reasonable)
    - 2023/24: Risk Management Actions: Implementation and Progress Reporting (Substantial Assurance)
1. Department for Work & Pensions (DWP) oversee distribution of the Household Support Fund.
2. Ministry of Housing, Communities and Local Government and BEIS oversee the Energy Payment and associated discretionary fund, and Energy Bills Support Scheme respectively.

SR25: Failure to use the council's resources and capabilities to deliver the Council Plan and adapt to the evolving needs of the city

1. Local Government Association Corporate Peer Challenge undertaken in 2025
2. Internal Audit
    - 2024/25: Employment checks - Right to Work (Reasonable), Apprenticeship Programme (Reasonable)
    - 2023/24: Organisational Capacity – Workforce Strategy and Management (Reasonable Assurance), Performance Development Plans and 1 to 1s (Reasonable Assurance)

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    - 2023/24: Organisational Capacity – Workforce Strategy and Management (Reasonable Assurance), Performance Development Plans and 1 to 1s (Reasonable Assurance)

SR29: Failure to manage contracts to ensure value for money and achieve the best outcomes for the city

1. Internal Audit reports: Audit work completed during the 2024/25 financial year, findings were raised regarding contract management across four non-opinion pieces

SR38: Failure to take effective action to increase our city's resilience to climate change, improve biodiversity and transition to net zero

1. Environment Agency (EA) in respect of flooding. Monthly reports made to EA on how the city council spends the monies received from EA includes schemes such as coastal protection; Property Level Protection; sustainable urban drainage SPG (policy); Strategic Flood Risk Assessment.
2. Local Air Quality Management reports submitted regularly to the Department for Environment, Food and Rural Affairs (Defra)
3. Internal Audits undertaken:
    - 2023/24: Carbon Reduction Programme (Reasonable Assurance)

SR39 Failure to maintain and demonstrate the building and fire safety of council homes

1. Monthly meeting with the Regulator of Social Housing
2. Report on Health & Safety Board Performance Trackers sent to Regulator of Social Housing
3. Report on Tenant Satisfaction Measures to Regulator of Social Housing
4. Internal Audit Position Statement on Housing Health and Safety Regulations 2024/25 (January 2025)

SR40: Failure to maintain a clean and safe city

1. Local Authorities Events Organisers Group (LAEOG)
2. DfT monitor and assure delivery of key transport programmes
3. Independent Seafront Development Board

SR41: Failure to maintain and demonstrate the health & safety compliance and fire safety of the council's commercial property

None

SR42: Failure to deliver on or maximise opportunities of Devolution in the best interests of Brighton & Hove

1. Internal audit - plan for 25/26
2. Regular meetings with MHCLG on Devolution

SR43: Failure to maximise the opportunities of Local Government Reorganisation in the best interests of Brighton & Hove

None

SR44: Failure to maintain and demonstrate the health & safety compliance and fire safety of the council's operational property

None

Appendix 7: Policies, Processes & Strategies (1/4)

Whilst many of our policies, processes and strategies link to many of the Good Governance Principles, below are those that are particularly relevant.

Good Governance Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Policy, framework or process	Owner	Last reviewed
The Constitution	Director (Governance & Law)	2024
Code on Officer/Member Relations	Director (Governance & Law)	2024
Behaviour Framework which includes council values (Leadership values were included in this)	Director (People & Innovation)	2023
BHCC Anti-Fraud & Corruption Strategy and Framework	Chief Internal Auditor	2022
Modern Slavery Statement	Chief Finance Officer	2024

Good Governance Principle B: Ensuring openness and comprehensive stakeholder engagements

Policy, framework or process	Owner	Last reviewed
Customer Experience Strategy	Director (People & Innovation)	2023
Information Rights Framework	Director (People & Innovation)	2024
Formal Partnerships including the City Management Board	Head of Cabinet Office	2023

Good Governance Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Policy, framework or process	Owner	Last reviewed
Council Plan	Director (People & Innovation)	2023
Economic Strategy	Head of Cabinet Office	2024
Net Zero Programme	Corporate Director (City Operations)	2024
Medium Term Financial Strategy	Chief Finance Officer	2025
Capital Investment Programme	Chief Finance Officer	2024

Good Governance Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

Policy, framework or process	Owner	Last reviewed
Financial Regulations & Standard Financial Procedures	Chief Finance Officer	2024
Innovation & Change portfolio of projects and programmes	Director (People & Innovation)	2024
Contract Standing Orders	Chief Finance Officer	2024

Good Governance Principle E: Developing the entity's capacity including the capacity of its leadership and with individuals within it

Policy, framework or process	Owner	Last reviewed
Fair & Inclusive Action Plan (which includes equalities work with city partners)	Director (People & Innovation)	2023
Staff training	Director (People & Innovation)	2023
Member training	Director (Governance & Law)	2023
Scheme of Delegation	Director (Governance & Law)	2024
Pay policy statement	Director (People & Innovation)	2024

Policies, Processes & Strategies (4/4)

Good Governance Principle F: Managing risks and performance through robust internal control and strong financial management

Policy, framework or process	Owner	Last reviewed
Risk Management Process part of Performance Management Framework	Director (People & Innovation)	2025
Information governance & security policies	Corporate Director (City Operations)	2023
Health & Safety Strategy	Director (People & Innovation)	2023
People Strategy	Director (People & Innovation)	2023
Whistleblowing Policy	Director (Governance & Law)	2025

Good Governance Principle G: Implementing good practice in transparency, reporting and audit to deliver effective accountability

Policy, framework or process	Owner	Last reviewed
Performance Management Framework	Director (People & Innovation)	2023
Internal Audit Plan, Annual Internal Audit Review and Opinion, Independent Assessment of Internal Audit	Chief Internal Auditor	2025
External Auditor's Annual Report	Chief Finance Officer	2025

Appendix 8: Bodies BHCC works closely with and/or whose board BHCC nominates members to

- Brighton & Hove Estates Conservation Trust
- Brighton & Hove Music Trust
- Brighton & Hove Seaside Community Homes Ltd
- Brighton Dome & Festival Limited
- East Sussex Fire Authority
- East Sussex Pension Board
- Gorham's Gift
- Homes for Brighton & Hove LLP
- Local Government Association
- Sussex Police & Crime Panel

BHCC appoints members to a range of other external bodies and partnerships as a means of discharging the council's functions across the area of Brighton & Hove. A complete list of appointments is available in the papers of Annual Council, which are published on the council's website.

Those external bodies include the East Sussex Fire Authority, which is a combined fire authority made up of members of its two constituent authorities: East Sussex County Council and BHCC, and the Police & Crime Panel; a joint committee which monitors and supports the Police and Crime Commissioner.

Brighton & Hove City Council

Audit Standards & General Purposes Committee

Agenda Item 13

Subject: **Standards Update**

Date of meeting: **24th June 2025**

Report of: **Elizabeth Culbert, Director – Governance & Law and Monitoring Officer**

Contact Officer: **Name: Victoria Simpson, Senior Lawyer – Corporate Law**

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Ward(s) affected: **All**

For general release

1. Purpose of the report and policy context

1.1. To provide a quarterly update, both on complaints received in alleging that Members have breached the Council's Code of Conduct for Members and on related matters.

2. Recommendations

2.1 That Committee agrees to note this Report.

3. Context and background information

3.1. 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 regularly and takes a proactive approach to publishing information on this topic on its website, while making data on member complaints available to the public via these reports to this Committee.

3.2. At Brighton & Hove City Council, the Audit, Standards and General Purposes Committee has delegated authority for leading in discharging the statutory requirement that the Council maintain and promote high standards of conduct by Members. The 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 according to the Nolan Principles.

3.3. This quarterly Report provides data on the live complaints to provide reassurance that complaints are being considered and dealt with in accordance with the Council's processes.

4. Member complaints

Update on complaints previously reported to this Committee

4.1. This data is provided in Appendix 1, at table 1.

New complaints received in since the last Update in January 2025

4.2. This data is provided in table 2 of Appendix 1.

4.4. The complaints referred to in this section are being progressed by the office of the Monitoring Officer in accordance with the Procedure which governs member complaints.

5. Proposed changes to the Standards Framework

5.1 Committee members will be aware that the Government's main consultation on its proposed changes to strengthen the framework which governs the conduct of members of local authorities closed on 26.2.25. It reportedly attracted over 2,000 responses and the most recent information provided is that those are still being considered. While a formal response from the Government – including any proposed legislative changes - is yet to be announced, a watching brief continues to be kept. This Committee will be kept informed of progress.

6. Analysis and consideration of alternative options

6.1. 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.

7. Community engagement and consultation

7.1 Past reviews of the Council's Standards arrangements (most recently in 2021) have been carried out by its elected Members and the Council's Independent Persons, supported by officers who have provided stakeholder data as well as signposting relevant LGA resources.

8. Financial implications

8.1 There are no direct financial implications arising from this report. Any activity in relation to monitoring standards and investigating complaints is met from existing budgets.

Name of finance officer consulted: Haley Woollard Date consulted: 06/06/25

9. Legal implications

These are covered in the Report.

Name of lawyer consulted: Victoria Simpson Date consulted 28/5/25

10. Risk implications

10.1 If fundamental changes are made to the standards framework, that will likely create additional pressure on the Council's resources. That pressure will continue post-implementation if councils are required to set up a dedicated Standards Committee and/or are made the nominated body for the hearing of appeals rather than an external body. It is also possible that the volume of complaints may increase, not necessarily as a result of a spike in member conduct issues, but because of the publicity the changes will likely attract and the perception that the regime is being given more 'teeth'.

10.2 Any changes are likely to result in a prescribed approach across all principal authorities. Those changes will generate the risk that the current allocated resource is insufficient to ensure that new statutory timescales (potentially relevant not just to the processing of complaints, but in relation to their determination, including at appeal stage) are consistently adhered to. However the risks and their potential impacts can only be identified and reviewed in a meaningful way once the proposals are finalised.

11. Equalities implications

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

12. Sustainability implications

No sustainability implications have been identified.

13. Other Implications

No other implications have been identified.

14. Conclusion

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

Supporting Documentation

Strengthening the standards and conduct framework for local authorities in England - GOV.UK

Appendices

Appendix 1 – data on member complaints previously reported to Committee (Table 1 and new Complaints (Table 2)

Appendix 1: Complaint data

Table 1 - Complaints previously reported to this Committee, on 22/04/2025.

	Date received	Date determined	If concluded, basis on which decision was taken	Complaint Topic	Additional notes
E2025	26/02/2025	21/05/2025	The Independent Person (in consultation) and the Monitoring Officer both took the view that none of the complaints E2025 through H2025 inclusive merited referral for formal investigation, having determined that it would not be proportionate and necessary in the public interest to do so.	B	E2025 through H2025 are complex complaints made by one individual against four different members from two different political Groups regarding their handling of the same set of concerns at a Council meeting.
F2025	26/02/2025	21/05/2025	See above.	B	See above
G2025	26/02/2025	21/05/2025	See above.	B	See above
H2025	26/02/2025	21/05/2025	See above.	B	See above
I2025	06/03/2025	12/05/2025	The Independent Person (in consultation) and the Monitoring Officer both took the view that this complaint did not merit referral for formal investigation, having determined that it would not be proportionate and necessary in the public interest to do so.	A	I2025 and K2025 (both complex complaints) were made by different complainants against the same member regarding their conduct in their ward.
J2025	10/03/2025	13/05/2025	The Independent Person (in consultation) and the Monitoring Officer both took the view that it would not be proportionate and necessary in the public interest to refer either complaint for formal investigation.	B	This complaint was made by a single individual about the conduct of two different members at a full Council meeting.

K2025	04/03/2025	12/05/2025	The Independent Person (in consultation) and the Monitoring Officer both took the view that this complaint did not merit referral for formal investigation, having determined that it would not be proportionate and necessary in the public interest to do so.	A	I2025 and K2025 (both complex complaints) were made by different complainants against the same member regarding their conduct in their ward.
L2025	14/03/2025	13/05/2025	MO and IP both took the view that a formal investigation would not be appropriate, as there was insufficient evidence to support the issues identified in the complaint.	B	Complaint about a member's input into and description of a Council consultation process and subsequent decision-making
M2025	17/03/2025	13/05/2025	The Independent Person (in consultation) and the Monitoring Officer both took the view that this complaint did not merit referral for formal investigation, having determined that it would not be proportionate and necessary in the public interest to do so.	B	Complaint about the conduct of two members at a full Council meeting.
N2025	20/03/2025	Ongoing	This complaint <u>was</u> considered to merit formal investigation and as a result has been referred for formal investigation.	B	Complaint that a member had acted outside their powers.
O2025	04/03/2025	20/05/25	The Independent Person (in consultation) and the Monitoring Officer both took the view that this complaint involved a disagreement was about the interpretation of data. They did not consider it to merit	**C**	Complaint regarding the accuracy of a member's email response to a constituent.

			referral for formal investigation, having determined that it would not be proportionate and necessary in the public interest to do so.		

Table 2: Complaints received in since April 2025 Committee

	Date received	Date determined	If concluded, basis on which decision was taken	Complaint Topic	Additional notes
P2025	04/03/2025	14/05/25	The Independent Person (in consultation) and the Monitoring Officer both took the view that this complaint involved a disagreement was about the interpretation of data. They did not consider it to merit referral for formal investigation, having determined that it would not be proportionate and necessary in the public interest to do so.	**B**	Allegation made by a single complainant that two councillors had misrepresented data generated during a consultation process.
Q2025	14/05/2025	Ongoing	Not yet concluded – still at preliminary assessment stage.	**A**	Complaint regarding the conduct of a councillor in relation to a residential planning application.
R2025	04/06/2025	Ongoing	Not yet concluded – still at preliminary assessment stage.	**D**	Complaint about the conduct of a councillor during the pre election period prior to a recent by-election.

Key to Complaint topics

Code	***Description of type of conduct complained about***
A	*Complaints about members' conduct in their wards, including when discharging their ward responsibilities or otherwise communicating with constituents or other stakeholders.*
B	*Complaints about comments or conduct either at council meetings, or at meetings at which members are representing BHCC*
C	*Complaints about conduct relating to council business or other members made outside council meetings, including on social media*
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*