

BRIGHTON & HOVE CITY COUNCIL

AUDIT & STANDARDS COMMITTEE

4.00pm 27 MARCH 2018

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillors Miller (Chair) Robins (Group Spokesperson), Sykes (Group Spokesperson), Allen, Greenbaum, Lewry, Morris and Wealls

Independent Members present: Diane Bushell

PART ONE

48 PROCEDURAL BUSINESS

48a Declarations of substitutes

48.1 Councillor Wealls was present as substitute for Councillor Cobb.

48b Declarations of interests

48.2 There were none

48c Exclusion of the press and public

48.3 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.

48.4 **RESOLVED** - That the press and public be excluded from the meeting from items listed on Part 2 of the agenda.

49 MINUTES & ACTION LOG

49.1 **RESOLVED** – That the minutes of the previous meeting held on 8 January be approved and signed as the correct record.

50 CALL OVER

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

- Item 53: Strategic Risk Focus: SR15 Not Keeping Children Safe; SR31 Greater Liability on the Council's Budget due to Budgetary Pressures on Schools; SR24 The Impact of Welfare Reform Increases Need and Demand for Services; and SR29 Ineffective Contract Management Leads to Sub-Optimal Service Outcome
- Item 54: Housing Electrical Works
- Item 56: Internal Audit Progress Report
- Item 57: Internal Audit and Corporate Fraud Plan and Strategy
- Item 59: Standards Update

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

- Item 55: Ernst & Young: External Audit Progress Report
- Item 58: Data Protection Officer Designation

51 PUBLIC INVOLVEMENT

51.1 There were none.

52 MEMBER INVOLVEMENT

52.1 There were none.

53 STRATEGIC RISK FOCUS: SR15 NOT KEEPING CHILDREN SAFE; SR31 GREATER LIABILITY ON THE COUNCIL'S BUDGET DUE TO BUDGETARY PRESSURES ON SCHOOLS; SR24 THE IMPACT OF WELFARE REFORM INCREASES NEED AND DEMAND FOR SERVICES; AND SR29 INEFFECTIVE CONTRACT MANAGEMENT LEADS TO SUB-OPTIMAL SERVICE OUTCOME

53.1 The Committee considered a report of the Executive Lead Officer, Strategy, Governance & Law that provided detail on the actions taken and future actions to manage each strategic risk.

53.2 Councillor Sykes noted that SR33 currently had the highest risk likelihood score and asked for further comment on the new risk.

53.3 The Risk Management Lead clarified that due to its status as a new risk, the risk likelihood score would be high until mitigating actions had been identified and undertaken.

53.4 Councillor Greenbaum asked for further clarification on the removal of SR17 from the Risk Register.

53.5 The Executive Director, Families, Children & Learning explained that there was recent agreement for the temporary expansion of Dorothy Stringer and Varndean schools that could later become a permanent expansion as well as expansion at Blatchington Mill and Patcham High School and the opening of a new site for Kings School. This, coupled with a reduction in the expected pupil number entering secondary school age in the city,

meant that a new school was no longer required and that had been agreed with the Department for Education (DfE).

- 53.6 In relation to the change of risk title for SR30, Councillor Wealls commented that he believed it very important to continue to specifically refer to the city region and the significance of the inter-dependence of the regional economy. In relation to SR21: Unable to manage housing pressures and deliver new housing supply, Councillor Wealls noted that the shift in focus toward statutory responsibilities implied in the new title were of some concern given the context of the city's housing crisis.
- 53.7 The Executive Director, Finance & Resources replied that the Chief Executive had attended the previous meeting of the committee and highlighted the importance of the Greater Brighton region however, the risk focus related to the direct influence the city could have. In relation to matter raised on SR21, the Executive Director, Finance & Resources confirmed that officers would review the risk and address any ambiguity.
- 53.8 Councillor Sykes stated his belief that the new title for SR21 better reflected the content and narrative of that specific risk and that the matters and contributory factors relating to the city's housing crisis were broad and spread across many strategic risks.
- 53.9 The Chair asked if it was likely central government would request the return of the £15m funding awarded to Brighton & Hove following the decision not to open a new school.
- 53.10 The Executive Director, Families, Children & Learning clarified that the central government funding was for local provision of school places and whilst a new school had initially been identified for use of that funding, that focus had now changed toward the resource required for the expansion of schools and other school pressure points in the city.
- 53.11 In relation to the comments made on page 25 and page 47 of the agenda relating to school budgets, Councillor Allen asked for the current status of budgets and delegated financial powers.
- 53.12 The Executive Director, Families, Children & Learning clarified that delegated financial powers for schools still remained in place however, he and the Executive Director, Finance & Resources had written to each of the schools with a reminder of the need for sustainable strategies to be in place to balance budgets and the removal of delegated financial authority would be explored if the current situation did not improve.
- 53.13 Referring to page 21 of the agenda, the Chair asked if the number of Children in Care (CiC) and those on Child Protection Plans (CPP) remained significantly higher compared to similar authorities and sought assurance that action was being taken to address the number of children and young people being sexually exploited.
- 53.14 The Executive Director, Families, Children & Learning clarified that the number of CiC's was now a statistical average compared to similar authorities for the first time in recent history. Although those on CPP's had decreased, the number was still above the statistical average of similar authorities however, this did mean that the children were not in care and it was important to strike a balance between care and protection of children. The Executive Director, Families, Children & Learning provided assurance that

there was an active programme underway examining the best approach and methods to tackle children and young people being sexually exploited.

- 53.15 In relation to SR24, Councillor Sykes noted that a detailed report had been produced two to three years ago subsequent to the completion of previous welfare reform. Councillor Sykes asked if a similar report would be produced detailing the impact of universal credit now the roll-out was complete.
- 53.16 The Executive Director, Finance & Resources replied that regular updates had been and would continue to be reported to the NICE Committee and this Committee.
- 53.17 Diane Bushell asked if any assessment had been undertaken on the impact of Universal Credit on the self-employed.
- 53.18 The Revenues & Benefits Manager replied that this was an issue his team were aware of and the treatment of income would be quite different and complex under Universal Credit. There had been no impact assessment undertaken to date but there were a significant number of self-employed people receiving housing benefit.
- 53.19 Referring to page 37 of the agenda, the Chair asked how performance of contract managers was monitored.
- 53.20 The Head of Procurement answered that there were in the region of 200 contract managers and contract management performance was inconsistent across that number however, increased resource had allowed for an expansion of the training delivered and greater capability for the corporate procurement team to challenge managers.
- 53.21 Councillor Robins observed that through his attendance of the Procurement Advisory Board, he had found that there were surprisingly few suppliers of the range of services the council procured.
- 53.22 **RESOLVED-**
- 1) That the Audit & Standards Committee notes Appendix 1 for details of SR15; SR31; SR24; and SR29
 - 2) That, having considered Appendix 1 and any clarification and/or comments from the officers, the Committee makes any recommendations it considers appropriate to the relevant council body
 - 3) That the Committee note (as detailed in paragraph 3.3) the changes to the council's SRR.

54 HOUSING ELECTRICAL WORKS

- 54.1 The Committee considered a report of the Executive Director, Neighbourhoods, Communities & Housing that set out the outcomes of the work undertaken to review and resolve discrepancies between work carried out and the charges for electrical work under the Term Partnering Agreement between the Council and Mears Ltd dated 30

March 2010. The report also set out the implications of the findings of the review and highlighted proposed next steps.

54.2 The Committee moved into confidential session at 4.55pm and returned to public session at 5.35pm.

54.3 Councillor Wealls moved a joint motion to add recommendations 2.2 and 2.3 as shown in bold italics below:

2.2 That the Audit & Standards Committee support officers in robustly pursuing Brighton & Hove City Council claims in relation to all nine categories where the legal position justifies it whilst robustly and fairly defending the city's tenants should Mears make a counterclaim

2.3 That the Audit & Standards Committee request an updated progress report of the actions taken by officers be received to the next meeting.

54.4 Councillor Sykes formally seconded the motion.

54.5 The Chair put the motion to the vote that was passed.

54.6 The Chair put the recommendations, as amended, to the vote that was passed.

54.7 **RESOLVED-**

1) That Audit & Standards Committee note the content of the report.

2) That the Audit & Standards Committee support officers in robustly pursuing Brighton & Hove City Council claims in relation to all nine categories where the legal position justifies it whilst robustly and fairly defending the city's tenants should Mears make a counterclaim

3) That the Audit & Standards Committee request an updated progress report of the actions taken by officers be received to the next meeting.

55 ERNST & YOUNG: EXTERNAL AUDIT PROGRESS REPORT

55.1 **RESOLVED-** That the Committee note the report

56 INTERNAL AUDIT PROGRESS REPORT

56.1 The Committee considered a report of the Executive Director, Finance & Resources that summarised the progress made against the Internal Audit and Corporate Fraud Plan, the key issues identified and action being taken and progress made by management in implementing audit recommendations.

56.2 Councillor Wealls noted that only 6 of the previously agreed 15 audit actions for the Online Banking System had been implemented that was of some concern given its critical importance.

- 56.3 The Principal Audit Manager agreed that the area was one of crucial importance however; some of the solutions were dependent on the implementation of system upgrades by the council's bank being completed. The Executive Director, Finance & Resources concurred, adding that pressure would be maintained on the bank to implement the upgrade.
- 56.4 Referring to page 83 of the agenda, Councillor Sykes observed that Direct Payments were of high importance and an issue the committee should monitor closely.
- 56.5 Referring to page 77 of the agenda, Diane Bushell noted that there were a number of high priority actions outstanding for Building System Access Controls and asked whether this meant the council were in breach of the Data Protection Act.
- 56.6 The Principal Audit Manager replied that the council were not in contravention of the Data Protection Act however; the principles of the Act did include principles pertaining to the protection of personal information. The Principal Audit Manager added that significant work had been undertaken by IT&D to disable officer logins however; some services used third-party systems that were more difficult to control and monitor and there was more work to be done in this area.
- 56.7 Diane Bushell asked if Value for Money (VfM) tests had been conducted as part of the review of the Strategic Construction Contract.
- 56.8 The Principal Audit Manager explained that VfM tests were identified in internal procurement rules and would be a key focus of re-procurement going forward.
- 56.9 Diane Bushell asked for assurance there would be no gaps in communications as part of the transition to new external auditors.
- 56.10 The Executive Director, Finance & Resources replied that auditors were risk averse and were very aware of their professional liabilities and he was therefore very confident the transition would be handled effectively. The Associate Partner, Ernst & Young agreed with the statement adding that such a transition was a common arrangement and he could provide assurance that it would be handled effectively and EY would certainly complete this year's audit to timeline.
- 56.11 **RESOLVED-** That the Committee notes the report and considers any further action required in response to the issues raised.

57 INTERNAL AUDIT AND CORPORATE FRAUD PLAN AND STRATEGY - 2018/19

- 57.1 The Committee considered a report of the Executive Director, Finance & Resources that requested approval of the Internal Audit Plan 2018/19.
- 57.2 Councillor Sykes expressed concern that the number of overall audit days had decreased by 20% since 2016/17.
- 57.3 The Executive Director, Finance & Resources explained that budget savings, particularly in 'back office' services had been frontloaded so there was an expectation that savings targets would reduce over time. The Executive Director added that the Orbis Partnership

and its scale would help services become more sustainable and opportunities for co-learning would increase productivity.

- 57.4 The Orbis Chief Internal Auditor stated that he was satisfied that there was sufficient staff resource to deliver the Audit Plan and provide opinion annually adding that one additional benefit of the Orbis Partnership was that in some areas, only one wider audit was necessary rather than three individual audits for the respective authorities so work could be streamlined. Furthermore, there would shortly be procurement of a new audit management system would provide greater use of data analysis and automation that would offset staff reduction.
- 57.5 The Chair asked if there was any risk in one Orbis Partner significantly reducing its audit budget.
- 57.6 The Executive Lead, Strategy, Governance & Law clarified that there were mechanisms and break clauses in the Orbis inter-authority agreement relating to adjustments to contributions and consensus to work equitably.
- 57.7 **RESOLVED-**
- 1) That the Committee approves the Internal Audit and Corporate Fraud Strategy and Annual Plan, including the Internal Audit Charter and Internal Audit Reporting and Escalation Policy.
 - 2) That the Committee notes the changes to the performance management arrangements for tracking actions resulting from internal audit work.

58 DATA PROTECTION OFFICER DESIGNATION

- 59.1 **RESOLVED-**
- 1) That in response to the requirements of the General Data Protection Regulation, the Committee approve in principle this Council's designation of a statutory Data Protection Officer which Brighton & Hove City Council shares with its fellow founding Orbis partner authorities: East Sussex County Council and Surrey County Council.
- RESOLVED TO RECOMMEND-**
- 2) That the Committee recommend to Policy, Resources and Growth Committee that the Executive Director – Finance & Resources be given delegated authority to take all steps necessary or incidental to appoint to the above role.
 - 3) That the Committee recommend that Policy Resources and Growth Committee grant to the Monitoring Officer delegated authority to amend the Council's Constitution so as to include provision in the Scheme of Delegations to Officers for the new statutory Data Protection Officer role.
 - 4) That in addition, the Committee recommend to Policy Resources and Growth Committee that responsibility for acting as the Council's Senior Information Risk Owner be

delegated to the Executive Director – Finance & Resources and that this be reflected in the Scheme of Delegations to Officers.

59 STANDARDS UPDATE

- 59.1 The Committee considered a report of the Head of Law & Monitoring Officer that updated Members on Standards related matters since the previous meeting.
- 59.2 Councillor Wealls asked if Members were made aware of complaints made against them even if it was deemed no further action was required.
- 59.3 The Senior Lawyer confirmed that Members were informed on every occasion of any complaint made against them and within 5 working days of receipt.
- 59.4 In reference to recommendation 2.2, the Executive Lead, Strategy Governance & Law advised that it would not be necessary for Group Leaders to appoint to the cross-party working group and the committee could nominate Members to the group at the meeting should that be deemed appropriate.
- 59.5 The following Members were nominated and appointed to the cross-party working group: Councillor Allen, Councillor Miller and Councillor Sykes.
- 59.6 Councillor Morris expressed his concern that the standards regime was now less prescribed adding that the performance of Members needed to be reviewed.
- 59.7 The Executive Lead, Strategy, Governance & Law answered that wide-ranging training sessions were provided however; the sessions had not been well attended. The Executive Lead, Strategy, Governance & Law added that he hoped attendance would increase as the training sessions were a valuable tool for Members and officers alike.
- 59.8 **RESOLVED-**
- 1) That the Committee note the information provided in the Report on member complaints and on standards-related matters.
 - 2) That the Committee agree in principle to the setting-up of a cross-party working group of members, this with a view to inputting into the consultation on the current Local Government Standards regime referred to in the report.

60 ITEMS REFERRED FOR COUNCIL

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

61 HOUSING ELECTRICAL WORKS (EXEMPT CATEGORY 3 & CATEGORY 5)

- 61.1 **RESOLVED-** That the Committee note the information contained in the Part Two appendix.

62 PART TWO PROCEEDINGS

- 62.1 **RESOLVED** – That the information contained in Part Two remain exempt from disclosure to the press and public.

The meeting concluded at 6.15pm

Signed

Chair

Dated this

day of