




Brighton & Hove
City Council

Audit & Standards Committee

Title:	Audit & Standards Committee
Date:	8 January 2019
Time:	4.00pm
Venue	Council Chamber, Hove Town Hall
Members:	Committee Members: Miller (Chair), Gilbey (Group Spokesperson), Sykes (Group Spokesperson), Cobb, Greenbaum, Lewry, Platts and Robins Independent Members: Diane Bushell and Dr David Horne
Contact:	Kat Hoare Democratic Services Officer 01273 291064 kat.hoare@brighton-hove.gov.uk
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AGENDA

PART ONE

Page

37 PROCEDURAL BUSINESS

- (a) **Declaration 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 public.

A list and description of the exempt categories is available for public inspection at Brighton and Hove Town Halls.

38 MINUTES AND ACTION LOG

7 - 16

To consider the minutes and Action Log of the meeting held on 18 September 2018 (copy attached).

Contact Officer: Kat Hoare

Tel: 01273 291064

39 CHAIR'S COMMUNICATIONS

AUDIT & STANDARDS COMMITTEE

40 CALL OVER

- (a) Items 44 – 50 and 52 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.

41 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 (insert date);
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the (insert date).

42 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.

43 ITEMS REFERRED FOR COUNCIL

To consider items to be submitted to the 31st January 2019 Council meeting for information.

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

44 STRATEGIC RISK FOCUS: SR30, SR23, SR21 AND SR26

17 - 58

Report of the Executive Lead Officer, Strategy, Governance & Law

Contact Officer: Jackie Algar

Tel: 01273 291273

Ward Affected: All Wards

AUDIT & STANDARDS COMMITTEE

- 45 INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT. 59 - 80**
Report of the Executive Director, Finance & Resources.
- Contact Officer: Mark Dallen Tel: 01273 291314*
Ward Affected: All Wards
- 46 EXTERNAL AUDIT PROGRESS REPORT JANUARY 2019 81 - 98**
External Report from Grant Thornton
- Ward Affected: All Wards*
- 47 STANDARDS UPDATE 99 - 102**
Report of the Monitoring Officer
- Contact Officer: Victoria Simpson Tel: 01273 294687*
Ward Affected: All Wards
- 48 REVIEW OF THE CODE OF CONDUCT FOR MEMBERS 103 - 106**
Report of the Monitoring Officer
- Contact Officer: Victoria Simpson Tel: 01273 294687*
Ward Affected: All Wards
- 49 OVERSIGHT AND CO-ORDINATION OF KEY COUNCIL POLICIES AND STRATEGIES 107 - 112**
Report of the Executive Lead, Strategy, Governance & Law
- Contact Officer: Giles Rossington Tel: 01273 295514*
Ward Affected: All Wards
- 50 CASH COLLECTION - COMPANY ADMINISTRATION UPDATE 113 - 120**
Report of the Executive Director, Finance & Resources.
- Contact Officer: Nigel Manvell Tel: 01273 293104*
Ward Affected: All Wards
- 51 ITEMS FOR THE NEXT MEETING**
- PART TWO**
- 52 PART TWO MINUTES 121 - 124**
To consider the part two minutes of the meeting held on 18 September

AUDIT & STANDARDS COMMITTEE

2018.

53 PART TWO PROCEEDINGS

To consider whether the items listed in Part Two of the agenda and decisions thereon should remain exempt from disclosure to the press and public.

AUDIT & STANDARDS COMMITTEE

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FURTHER INFORMATION

For further details and general enquiries about this meeting contact Kat Hoare, (01273 291064, email kat.hoare@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

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Date of Publication – Friday 28th December 2018

BRIGHTON & HOVE CITY COUNCIL

AUDIT & STANDARDS COMMITTEE

4.00pm 18 SEPTEMBER 2018

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillors Miller (Chair), Gilbey (Group Spokesperson), Sykes (Group Spokesperson), Cobb, Greenbaum, Lewry, Robins and Daniel

Independent Members present: Dr David Horne

PART ONE

21 PROCEDURAL BUSINESS

a Declarations of substitutes

21.1 Councillor Daniel was present as substitute for Councillor Morris.

b Declarations of interests

21.2 There were none.

c Exclusion of the press and public

21.3 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.

21.4 **RESOLVED** - That the public were excluded from the meeting from items listed on Part 2 of the agenda.

22 MINUTES & ACTION LOG

22.1 **RESOLVED** – That the Chair be authorised to sign the minutes of the meeting held on 24 July 2018 as a correct record.

23 CHAIR'S COMMUNICATIONS

23.1 The Chair thanked Ernst & Young for their input and confirmed that no representatives from Ernst & Young were able to attend the meeting today.

24 CALL OVER

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

Item 27 – Strategic Risk Focus: SR13, SR20, SR32 and SR33

Item 28 – External Audit Annual Audit Letter 2017 / 18

Item 29 – Mark Dallen Internal Audit Progress Report – Quarter 1
Part Two:

Item 34 – Housing Electrical Works (Exempt Category 3 & 5)

25 MEMBER INVOLVEMENT

25.1 There was no member involvement.

26 PUBLIC INVOLVEMENT

26.1 There was no public involvement.

27 STRATEGIC RISK FOCUS: SR13, SR20, SR32 AND SR33

27.1 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.

27.2 The Risk Management Lead introduced the report together with the Executive Director - Health & Adult Social Care and the Head of Commissioning.

27.3 Councillor Sykes asked what preparation had been done around the impact of Brexit for SR13. The Executive Director Finance & Resources, replied that the Assistant Director - City Development & Regeneration had done some work on the financial implications of this issue in the city. The Executive Director Finance & Resources confirmed that there still remained a great deal of uncertainty but that some people had predicted economic and logistical shocks, citing examples such as the contingency plan regarding Kent County Council and the M20 (along the lines of 'Operation Stack') where there was speculation that back up could affect traffic around Brighton.

27.4 Councillor Sykes asked about the existing basket of risks incurred by Brexit and the Executive Director Finance & Resources, confirmed that he needed to bring in other officers to give a fuller answer in the future. He confirmed that he did not know how tax breaks around Brexit would be introduced or what their impact might be. The Chair confirmed that in the Audit & Standards Pre-meeting this issue in addition to the Newhaven Port impact on the A27 needed to be discussed and he felt this should be added to the Agenda in the future.

SR13

27.5 The Chair asked for specific questions around SR13 and Councillor Sykes queried how it could be ensured that the most vulnerable adults are being helped and how the threshold was interpreted by the Council.

- 27.6 The Executive Director - Health & Adult Social Care replied that it was his personal responsibility to ensure that vulnerable adults were safe and that safeguarding was not affected by any austerity measures as confirmed in the Safeguarding report that the Board would receive within the next month. The Executive Director - Health & Adult Social Care also confirmed that there are national standards agreed for these criteria and that the Council operate at a Substantial / Critical framework and therefore the bar does not get lowered.
- 27.7 In response to Dr Horne's query on whether the proposed action of training was the only way to alleviate this particular risk, the Executive Director - Health & Adult Social Care replied that training was important as was awareness on how to make a safeguarding referral and that there was a board overseeing all referrals. The Executive Director - Health & Adult Social Care said he would have to come back after the Committee to confirm on whether this also applied to the whistleblowing aspect that Dr Horne queried.
- 27.8 In response to Councillor Daniel's question on when these aspects of SR13 would start to improve, the Executive Director - Health & Adult Social Care stated that although the figure for vulnerable adults would never be zero as there would always be cases of abuse and safeguarding would always be in place, the number of cases in 2017 were reduced by 30 %.
- 27.9 In response to the Chair's question about the controls now in place to reduce risks and whether there was more work to be done, the Executive Director - Health & Adult Social Care confirmed that there was currently a good multi agency protocol, training was provided and that there should be no complacency.
- 27.10 In response to the Chair's final question on whether these figures would have an impact on the NHS and CCG and other bodies, the Executive Director - Health & Adult Social Care replied that there would definitely be consequences.

SR20

- 27.11 In response to a question from the Chair about whether there was an equal risk to the Council on the issue of personal injury for poorly managed services, the Executive Director - Health & Adult Social Care stated that services could perform better in terms of being more integrated.
- 27.12 In response to the Chair's question about why the dates in this section were in the past, the Risk Management Lead stated that the past dates simply recorded the date that each task had been completed.

SR 33

- 27.13 In response to Councillor Sykes question on whether the Council are currently giving less care to clients in Temporary Accommodation than those living on the street, citing the recent Newhaven deaths, the Executive Director - Health & Adult Social Care confirmed that this issue was taken very seriously and that the Council had a Strategic Accommodation Board, where members of all Directorates united together as one Council in order to meet the demands of different vulnerable groups. The Executive

Director - Health & Adult Social Care also confirmed that they were trying to get a new Pathway properly established for those clients who require support in temporary accommodation.

- 27.14 In response to Dr Horne's question on whether there was a completed Need Assessment already in place for those with complex needs the Executive Director - Health & Adult Social Care stated that this was still being finished at present and that they were waiting to hear back from the Health and Wellbeing Board shortly on this matter, and that currently the Council were trying to fill the gaps in the right places.
- 27.15 In response to Dr Horne's question on whether Councillors were happy that the Needs Assessment was completed over a 12 – 15 month period, the Executive Director - Health & Adult Social Care noted that this was a long period, but that this reflected the way that some clients had to be managed.
- 27.16 In response to Councillor Robins' question on the number of deaths in Temporary Accommodation and how this compared with other Councils, the Executive Director- Health & Adult Social Care stated that he did not have exact figures to hand but that there was a report that is being currently finalised with figures over a two year period. That report is due to be published next month and he confirmed that its findings would be a priority action. The Executive Director- Health & Adult Social Care also confirmed Councillor Gilbey's note that there had been a recent improvement from the initial red rating to the current amber rating, due to having a framework to address this issue.
- 27.17 In response to Councillor Cobb's question regarding the consequence for clients when emergency accommodation becomes an immediate concern, the Risk Management Lead confirmed that there was not enough appropriate accommodation available for clients.

SR32

- 27.18 The Executive Director Finance & Resources, introduced this item confirming that the fire safety aspect had not been covered during the last meeting due to lack of time. He then introduced Officers from the Health & Safety and Property & Design teams to answer queries.
- 27.19 In response to the Chair's query on the current situation on the Government enquiry into fire doors, the Officer stated that they are still waiting for the Government enquiry to be completed in the wake of the Grenfell enquiry. However he assured the Committee that the risk remained low. In reply to Councillor Robins' query about upgrading the fire doors' in order to bring them up to the 30 minute retardant standard that is required, the Officer stated that upgraded MHCLG had currently put a hold on fire door construction until they had further information.
- 27.20 In reply to Councillor Sykes' query about modes of communication in the event of a fire, citing a recent local incident in a glass blowing shop, the Officer confirmed that contact could be made through any colleague and that the Fire and Health Safety Board met on a monthly basis which links up officers from different areas and that there was a good relationship across the different sectors.

- 27.21 In reply to Councillor Cobb's questions on ways of save money on Health & Safety, the Executive Director Finance & Resources confirmed there were the right number of Health & Safety officers employed but that savings were being made where possible in light of the Council's financial position. The Head of Housing Strategy, Property & Investment then confirmed that more money had been made available and would be required in future to invest in safety, as the forthcoming report to Housing and New Homes Committee regarding fire safety would be expected to require further work.
- 27.22 In response to Councillor Lewry's query about the importance of how a fire door is hung correctly, the Officer confirmed that the installation was vital and that a random quality check had been undertaken to ensure the correct placement of fire doors throughout the Council. In response to Councillor Gilbey's query, the Officer also confirmed that all the regulations referred to fire doors in low rise flats as well as high rise blocks and that the regulations applied across all council residential accommodation. In response to Councillor Robins' question on the problem with the fire risk caused by the build-up of paint and how the Council are able to test these levels on walls in public buildings, the Officer confirmed that the Council followed the national guidance around this which was followed when planning works.
- 27.23 In response to the Chair's question on there being no risk actions in relation to this fire risk, the Risk Management Lead stated that if the initial risk rating was the same then there was no rating given at present.
- 27.24 In response to the Chair's query on the wider point of potential issues to visitors such as Pride overcrowding, the Officer replied that these were raised at Health & Safety groups where the Council actively liaised with other services such as Police and Environmental Health.
- 27.25 Dr Horne asked whether these issues regarding complex needs would be raised in the Health & Wellbeing Board and JSNA in order to speed up the progress of the Needs Assessment.
- 27.26 The Chair confirmed that the two following extra recommendations should be logged on the Action Log:
1. Councillor Sykes requested that a Report on the potential implications of Brexit on the City should be brought to the Committee.
 2. The Committee agreed on informing the Health & Wellbeing Board that the Needs Assessment form should be progressed more quickly as they are concerned about the protracted timescales and their effect on current risks.
- 27.27 **RESOLVED:** That the Committee:
- 1 Noted (as detailed in paragraph 3.3) the changes to the risk management process as agreed at ELT's away day in June 2018.
 - 2 Noted (as detailed in paragraph 3.4) the changes to the council's SRR.
 - 3 Noted Appendix 1 for details of SR13; SR20; SR32; and SR33.

4 Noted Appendix 2 'Suggested questions for Members to ask Risk Owners and officers on Strategic Risks'. This provided three generic questions with the intention to support Members to ask the right questions in accordance with their role as a Member of the Audit & Standards Committee.

5 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.

28 EXTERNAL AUDIT ANNUAL AUDIT LETTER 2017/18

- 28.1 The Committee considered a report of Ernst & Young that summarised the findings of the 2017/18 audit and included key messages arising from the audit of the financial statements and the results of work undertaken to assess the council's arrangements to secure value for money on its use of resources. The Executive Director of Finance & Resources presented this report in the absence of representatives from Ernst & Young. The Officer confirmed that all queries had already been fully answered and that now they could close down the audit since they had a clean audit opinion secured.
- 28.2 Councillor Sykes queried the Pension deficit stated on page 62 points 2.4 – 2.7 and asked if in spite of the Council's increasing contribution every year, this increase was now slowing down. The Executive Director of Finance & Resources confirmed that the rate of increase was by 0.5% per year and was budgeted for. The contributions were effectively dictated by actuarial valuation, and even if the Fund was seeing positive investment returns, the number of pensions and their longevity was likely to increase at least as fast as the contributions.
- 28.3 The Chair queried the high spend on Council tax and Housing Benefits stated on page 66 and asked if this was due to protecting vulnerable tenants or increased administration costs. The Executive Director of Finance & Resources stated that this was due to the high relative cost of rents and housing in the City, and that many housing benefit claims were paid at or close to the cap.
- 28.4 The Chair asked about the level of reserves which had increased during 2017/18, as stated on page 66. The Executive Director of Finance & Resources stated it this was a complex area and it was easy to overstate how reserves could be used (as misconstrued by local media) and that the Council only held £9 million as its General Fund risk buffer.
- 28.5 The Executive Director confirmed as an action that he would circulate further information on Reserves to the Committee.
- 28.6 **RESOLVED:** That the Committee noted the Annual Audit Letter 2017/ 18.

29 INTERNAL AUDIT PROGRESS REPORT - QUARTER 1

- 29.1 The Committee considered a report of the Executive Director, Finance & Resources presented by the Head of Audit, that provided an update on all internal audit and counter fraud activity completed during the quarter, including a summary of all key audit findings.

The report also included details of progress on delivery of the annual audit plan and an update on the performance of the internal audit service during the period.

- 29.2 The Head of Audit highlighted the counter fraud activity in Section 3 which showed the action tracking. He confirmed that 93% came within the designated timescale and that there were two outstanding cases – both for Cityclean and highlighted the three audits on the Brighton Centre, the Pavilion and the EU grant.
- 29.3 In response to Dr Horne’s question on why a high priority action such as Cityclean should take as long as nine months, the Head of Audit stated that it was disappointing, but that a large number of actions were issued in the audit report last year and that this had resulted in the long timescale.
- 29.4 Councillor Sykes queried the large volume of petty cash and banking which he felt was high. The Audit Manager stated that he accepted that there were certain groups such as Careleavers where the Council wanted to give a a commitment to individual choice and autonomy to this vulnerable group of people who may not have bank accounts which resulted in a high use of petty cash since alternative solutions were difficult to arrange.
- 29.5 The Chair noted that there may be more risks that may occur and would be audited throughout the year and that members of the Committee could email these risks directly to the Audit Manager.
- 29.6 The Chair asked for it to be logged on the Action Log that community involvement would take place between Councillor Sykes and the Head of Audit on the issue of petty cash.
- 29.7 **RESOLVED** - That the Committee noted the findings set out in the Internal Audit Progress Report – Quarter 1 (1 April – 30 June 2018) and considered any further action required in response to the issues raised.

30 STANDARDS UPATE

- 30.1 **RESOLVED:** That the Committee noted the report.

31 ITEMS REFERRED FOR COUNCIL

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

32 ITEMS FOR THE NEXT MEETING

- 32.1 There were none.

The meeting concluded at 5.50pm

Signed

Chair

Dated this

day of

DRAFT - Action Log: A&S Meeting 18 September 2018

Agenda Item		Owner	Actions	Status
27	<p>Strategic Risk Focus: SR13, SR20, SR32 AND SR33</p> <p>Councillor Sykes requested that a Report on the potential implications of Brexit on the City should be brought to the Committee.</p>	David Kuenssberg / Abraham Ghebre-Ghiorghis	Report to be written & brought to A& S Committee in January	In Progress
27	<p>Strategic Risk Focus: SR13</p> <p>The Committee agreed on informing the Health & Wellbeing Board that the new Needs Assessment form should be progressed more quickly as they are concerned about the protracted timescales and their effect on current risks.</p>	Rob Persey	Contact the Health & Wellbeing Board about concerns regarding the Needs Assessment Form.	In progress

	Agenda Item	Owner	Actions	Status
29	<p>INTERNAL AUDIT PROGRESS REPORT - QUARTER 1 Councillor Sykes requested that he would liaise with Head of Audit on the issue of Community Grants.</p>	Mark Dallen / Councillor Sykes	Communication between Councillor Sykes and the Head of Audit on the issue of Community Grants.	Complete

- 2.1 Note as detailed in paragraph 3.3 the streamlining of the risk management process as agreed at ELT on 21 November 2018.
- 2.2 Note in paragraphs 3.4 and 3.5 the changes to the council's SRR.
- 2.3 Note Appendix 1 for details of SR30; SR23; SR21; and SR26.
- 2.4 Note Appendix 2: Information on the council's risk management process relative to Strategic Risks (SRs); and Suggested questions for Members to ask Risk Owners and officers on Strategic Risks.
- 2.5 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. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The SRR details the current prioritised risks which may affect the achievement of the council's Corporate Plan purpose, including in relation to its work with other organisations across the city. It is reviewed and agreed by ELT quarterly, and influences service activity within Directorates and Directorates' individual Directorate Risk Registers.
- 3.2 Appendix 2 is intended to provide information on the council's risk management process relative to Strategic Risks (SRs) and is attached as a separate appendix in order to provide background reference and enable Members to focus on the changes to the SRR and any changes to the risk management process by the ELT.
- 3.3 Streamlining of the risk management process

To reflect the time pressure on busy managers in the context of financial challenges, ELT agreed to streamline the Risk Management process so that:

- i. Directorate Risk (DR) lists will now be the format for recording directorate risks instead of the current CAMMS software Risk registers such as used for SRs. The Directorate Risk lists will be maintained by scheduled quarterly conversations at Directorate Management Teams (DMTs) to be facilitated and minuted by the Risk Management Lead. These DR lists will be reported to ELT quarterly as part of the Strategic Risk Register review sessions;
- ii. Risk Owners and Risk Action Owners will no longer be required to update Directorate Risks on the CAMMS Risk software. The relevant Executive Leadership Team lead would continue to be accountable for ensuring risk was being managed effectively using existing processes, e.g. where relevant including actions in Directorate Plans which are monitored at least quarterly.

The risk management process will continue to provide firm evidence for the Annual Governance Statement (AGS).

3.4 Summary of changes to the SRR as a result of the ELT review on 21 November 2018.

ELT approved:

3.4.1. Addition of new SR34 'Ambitions to improve offer for staff which have been stated in the People Promise may not be realised' as set out in Table 1 below.







3.4.2 Changes to Risk Titles:













- i. SR18 – the risk title was clarified with additional text ‘...for the organisation to manage its functions.’











3.4.3 Risk scores and any changes to risk scores against ELT’s last quarterly review are indicated in Table 1 by Direction of Travel (DOT) arrows in the Initial and Revised Risk score.







3.5 Table 1 Strategic Risk Register

No SR was removed and with the addition of SR34 there are now 17 Strategic Risks. These are presented in order of highest Revised (Future) Risk Score:

Risk Nos.	Risk Title	Initial Risk Score Likelihood (L) x Impact (I) & Direction of Travel (DOT)	Revised Risk Score Likelihood (L) x Impact (I) & DOT	Committee & Chair	Lead Member	Risk Owner
SR20	Inability to integrate health and social care services at a local level and deliver timely and appropriate interventions	5 x 4 ▲  RED <i>(Initial risk score changed from L3 x I4 to L5 x I4)</i>	4 x 4 ▲  RED <i>(Revised risk score changed from L3 x I3 to L4 x I4)</i>	Health & Wellbeing Board – Cllr. Barford	Cllr. Moonan	Executive Director, Health & Adult Social Care
SR2	Council is not financially sustainable	5 x 4 ◀▶  RED	4 x 4 ◀▶  RED	Policy, Resources & Growth Committee - Cllr. Yates	Cllr. Hamilton	Executive Director, Finance & Resources
SR33	Not providing adequate housing and support for people with significant and complex needs	4 x 4 ◀▶  RED	3 x 4 ▼  AMBER	Health & Wellbeing Board – Cllr. Barford Housing & New Homes Committee – Cllr. Meadows	Cllr. Moonan	Executive Director, Health & Adult Social Care

Risk Nos.	Risk Title	Initial Risk Score Likelihood (L) x Impact (I) & Direction of Travel (DOT)	Revised Risk Score Likelihood (L) x Impact (I) & DOT	Committee & Chair	Lead Member	Risk Owner
SR18	Service outcomes are sub-optimal due to the lack of appropriate tools for the organisation to manage its functions	4 x 4 ◀▶  RED	3 x 4 ◀▶  AMBER	Policy, Resources & Growth Committee - Cllr. Yates	Cllr. Hamilton	Executive Director, Finance & Resources
SR10	Corporate Information Assets are inadequately controlled and vulnerable to cyber attack	4 x 4 ◀▶  RED	4 x 3 ◀▶  AMBER <i>(Revised risk score changed from L3 x I4 to L4 x I3)</i>	Policy, Resources & Growth Committee - Cllr. Yates	Cllr. Hamilton	Executive Director, Finance & Resources
SR32	Sub-standard health & safety measures lead to personal injury of staff or residents, financial losses and reputational damage	2 x 5 ◀▶  AMBER	2 x 5 ◀▶  AMBER (There are no future actions)	Policy, Resources & Growth Committee - Cllr. Yates	Cllr. Hamilton	Executive Director, Finance & Resources
SR13	Not keeping Vulnerable Adults Safe from harm and abuse	3 x 4 ◀▶  AMBER	3 x 3 ▼  AMBER	Health & Wellbeing Board – Cllr. Moonan	Cllr. Moonan	Executive Director, Health & Adult Social Care
SR21	Unable to manage housing pressures and deliver new housing supply	3 x 4 ◀▶  AMBER	3 x 3 ◀▶  AMBER	Housing & New Homes Committee - Cllr. Meadows	Cllr. Meadows Cllr. Hill	Executive Director, Neighbourhoods, Communities & Housing
SR25	The lack of organisational capacity leads to sub-optimal service	3 x 4 ◀▶  AMBER	3 x 3 ▼  AMBER	Policy, Resources & Growth Committee - Cllr. Yates	Cllr. Hamilton	Executive Director, Finance & Resources

Risk Nos.	Risk Title	Initial Risk Score Likelihood (L) x Impact (I) & Direction of Travel (DOT)	Revised Risk Score Likelihood (L) x Impact (I) & DOT	Committee & Chair	Lead Member	Risk Owner
	outcomes, financial losses, and reputational damage					
SR24	The impact of Welfare Reform increases need and demand for services	4 x 3 ◀▶  AMBER	3 x 3 ▼  AMBER	Policy, Resources & Growth Committee - Cllr. Yates	Cllr. Hamilton	Executive Director, Finance & Resources
SR23	Unable to develop an effective Investment Strategy for the Seafront	3 x 4 ▲  AMBER <i>(Initial risk score changed from L3 x I3 to L3 x I4)</i>	3 x 3 ◀▶  AMBER	Environment, Transport & Sustainability Committee – Cllr. Mitchell Tourism & Development & Culture Committee – Cllr. Robins	Cllr. Alan Robins	Executive Director, Economy, Environment & Culture
SR26	Not strengthening the council's relationship with citizens	3 x 4 ◀▶  AMBER	3 x 3 ◀▶  AMBER	Neighbourhoods, Inclusion, Communities & Equalities Committee – Cllr. Daniel	Community Safety – Cllr. Marsh Economic Development and Social Value – Cllr. Platts	Executive Director, Neighbourhoods, Communities & Housing
SR29	Ineffective contract management leads to sub-optimal service outcomes, financial losses, and reputational damage	3 x 4 ◀▶  AMBER <i>(Initial risk score changed from L4 x I3 to L3 x I4)</i>	3 x 3 ◀▶  AMBER	Policy, Resources & Growth Committee - Cllr. Yates	Cllr. Hamilton	Executive Director, Finance & Resources
SR30	Not fulfilling the expectations of residents, businesses,	3 x 4 ◀▶  AMBER	3 x 3 ◀▶  AMBER	Policy, Resources & Growth Committee - Cllr. Yates	Cllr. Hamilton	Chief Executive

Risk Nos.	Risk Title	Initial Risk Score Likelihood (L) x Impact (I) & Direction of Travel (DOT)	Revised Risk Score Likelihood (L) x Impact (I) & DOT	Committee & Chair	Lead Member	Risk Owner
	government and the wider community that Brighton & Hove City Council will lead the city well and be stronger in an uncertain environment					
SR31	Greater liability on the council's budget due to budgetary pressures on schools	3 x 4 ◀▶  AMBER	2 x 3 ▼  YELLOW	Children, Young People & Skills Committee - Cllr. Chapman	Cllr. Chapman	Executive Director, Families, Children & Learning
SR34	Ambitions to improve offer for staff which have been stated in Our People Promise may not be realised	3 x 4  NEW AMBER	2 x 3  NEW YELLOW	Policy, Resources & Growth Committee - Cllr. Yates	Cllr. Hamilton	Executive Director, Finance & Resources
SR15	Not keeping Children Safe from harm and abuse	3 x 3 ▼  AMBER	2 x 3 ▼  YELLOW	Children, Young People & Skills Committee – Cllr. Chapman	Cllr. Chapman	Executive Director, Families, Children & Learning

4. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 4.1 For each Strategic Risk there is detail of the actions already in place ('Existing Controls') or work to be done as part of business or project plans ('Risk Actions') to address the strategic risk. Potentially these may have significant financial implications for the authority either directly or indirectly. The associated financial risks are considered during the Targeted Budget Management process and the development of the Medium Term Financial Strategy.

Finance Officer Consulted: Jeff Coates

Date: 28/11/2018

Legal Implications:

- 4.2 Members of this Committee are entitled to any information, data and other evidence which enables them to reach an informed view regarding to whether the council's Strategic Risks are being adequately managed. The Committee may make recommendations based on its conclusions.
- 4.3 The individual Strategic Risks which are focused on in this Report may potentially have legal implications. Where those implications are of a direct nature, they are noted in the Report or in the appendices to it.

Lawyer Consulted:

Victoria Simpson

Date: 27/11/2018

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix 1 Strategic Risk Focus report: SR21, SR26, SR23 and SR30.
2. Appendix 2: Information on the council's risk management process relative to Strategic Risks (SRs) and Suggested questions for Members to ask Risk Owners and officers on Strategic Risks.

Documents in Members' Rooms

1. None.

Background Documents

1. None.

Appendix 2: Information on the council’s risk management process relative to Strategic Risks (SRs); and Suggested questions for Members to ask Risk Owners and officers on Strategic Risks.

1.0 Across the council there are a number of risk registers which prioritise risks consistently by assigning risk scores 1-5 to the likelihood (denoted by ‘L’) of the risk occurring, and the potential impact (denoted by ‘I’) if it should occur. These L and I scores are multiplied; the higher the result of L x I, the greater the risk e.g. L4xI4 which denotes a Likelihood score of 4 (Likely) x Impact score of 4 (Major).

		IMPACT				
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
LIKELIHOOD	Almost Certain (5)	0	0	0	0	0
	Likely (4)	0	0	0	1	0
	Possible (3)	0	0	0	1	1
	Unlikely (2)	0	0	0	0	1
	Almost Impossible (1)	0	0	0	0	0

2.0 A colour coded system, similar to the traffic light system, is used to distinguish risks that require intervention. Red risks are the highest, followed by Amber risks and then Yellow, and then Green.

3.0 The Strategic Risk Register (SRR) records Red and Amber risks. Each strategic risk has a unique identifying number and is prefixed by ‘SR’ representing that it is a strategic risk.

4.0 Each risk is scored twice with an Initial (‘Now’) level of risk and a Revised (Future) risk score:

- a) Initial Risk Score now reflects the Existing Controls under the ‘Three Lines of Defence’ methodology which is good practice and helps to establish the First Line – Management Controls; Second Line – Corporate Oversight; and Third Line – Independent Assurance and the currency and value of each control in managing the risk. Therefore the Initial Risk Score represents the ‘as is/ ‘now’ position for the risk, taking account of existing controls;
- b) The Revised Risk Score focuses on the application of time and expenditure to future reduce the likelihood or impact of each risk and is based on the assumption that any future Risk Actions, as detailed in risk registers, will have been delivered to timescale and will have the desired impact.
- c) Where initial and revised scores are the same – the Risk Owners were asked to consider the 4Ts of Risk Treatments (Treat/Tolerate/Terminate/Transfer) and change the scoring or remove all future risk actions/move them to existing control. This is on the understanding that the risk action should either reduce the likelihood and/or reduce the impact – if none of this is true, there will not be any reason to undertake the action.

Suggested questions for Members to ask Risk Owners and officers on Strategic Risks

The Audit & Standards Committee has a role to monitor and form an opinion on the effectiveness of risk management and internal control. As part of discharging this role the Committee focuses on at least two Strategic Risks at each of their meetings.

The Committee invite the Risk Owners of Strategic Risks to attend Committee and answer their questions based on a CAMMS Risk report appended to each report. In the CAMMS Risk report, the Risk Owner:

1. Describes the risks, the cause and potential consequences, the officers involved and provides an **Initial Risk Score** which takes account of the existing controls in place to mitigate the risk.
2. Existing Controls are set out using the Three Lines of Defence model:
 - 1st line: management controls
 - 2nd line: corporate oversight
 - 3rd line: independent assurance

in order that Members can identify where the assurance comes from, and how frequently it is reviewed and in the case of the 3rd line if audits or inspections have happened, when did it happen, what the results were. Risk Owners ensure that existing controls continue to operate effectively.

3. (Future) Risk Actions then are detailed and allocated to individuals with percentage achieved against target dates, with commentary on the current position. This provides the **Revised Risk Score** which is based on the assumption that all the risks actions have been successfully delivered.

The Risk Owners of Strategic Risks will always be an Executive Leadership Team (ELT) officer, and they may bring other officers who are more closely connected to the mitigating work.

Three questions are suggested to be explored by the A&S Committee:

1. Is the Risk Description appropriately defined? Does the Committee understand the cause and potential consequences?
2. Is the Committee reassured that each (future) Risk Action either reduces the impact or likelihood of the risk? Are members reassured that risk actions are actually being delivered?
3. In respect of the Revised Risk Score does the Committee feel comfortable with Risk Owner's assessment? This represents the risk level that the organisation is prepared to accept.

Brighton & Hove City Council

Appendix 1

Strategic Risk Focus Report: SR21, SR 26, SR23 and SR30.

Initial Rating

LIKELIHOOD	IMPACT				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	0	0	0	0	0
Likely (4)	0	0	0	0	0
Possible (3)	0	0	0	4	0
Unlikely (2)	0	0	0	0	0
Almost Impossible (1)	0	0	0	0	0

Revised Rating

LIKELIHOOD	IMPACT				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	0	0	0	0	0
Likely (4)	0	0	0	0	0
Possible (3)	0	0	4	0	0
Unlikely (2)	0	0	0	0	0
Almost Impossible (1)	0	0	0	0	0

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1 - 3
Low
Monitor periodically

4 - 7
Moderate
Monitor if the risk levels increase

8 - 14
Significant
Review and ensure effective controls

15 - 25
High
Immediate action required & need to escalate to the management level above

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR21	Unable to manage housing pressures and deliver new housing supply	Executive Director Neighbourhoods, Communities & Housing Head of Planning Head of Housing Strategy, Property & Investment Executive Director Economy, Environment & Culture	BHCC Strategic Risk, Environmental / Sustainability	21/11/18	Threat	Treat	Amber L3 x I4	Amber L3 x I3		Revised: Adequate

Causes

Link to Corporate Plan: Priority Economy, Jobs and Homes: Deliver better business space and affordable homes/accommodation
Brighton & Hove is a growing city with high house prices, low incomes, an ageing population and a significant proportion of households with a support need. Scope for development within the city is affected by significant geographical constraints and competing land pressures. The increasing demands for housing continues to outstrip new supply and as a consequence accommodation is becoming less affordable notably in central city areas relative to the local wage rates. Housing shortages are particularly acute for low income families. Demand for affordable rented homes is growing with a significant number of households in temporary accommodation. The private rented sector continues to expand at the expense of rates of owner occupation which are in long term decline. Demand arising from Universities and other educational establishments continues to have a significant impact on the housing market and existing residential communities in parts of the city, in terms of affordable rents for non-student households, local character and impact on neighbourhood amenity.

Potential Consequence(s)

1. Changes in Government legislation require council intervention at an earlier stage
2. The city is constrained in its capacity to accommodate economic growth, housing supply obligations and sustainable development objectives.
3. The city council is unable to meet its strategic housing and planning policy objectives to: meet City Plan and Housing Strategy requirements in terms housing numbers; improve overall housing supply and housing mix; deliver affordable lower cost homes, in particular homes for rent.
4. The city council is unable to meet statutory homelessness obligations. In particular, corporate critical budget implications arising from Temporary Accommodation pressures owing to lack of suitable alternative accommodation.
5. The shortage of homes to meet the accommodation requirements of elderly and vulnerable people which can have an adverse impact on social care provision and cost pressures.
6. Impact on our ability to recruit and retain lower income working and younger households and employment in the city, in particular in social care, health and other lower wage sectors.

Existing Controls

First Line of Defence: Management Controls

1. The Council's Housing Strategy 2015-2019 sets out objectives and action plan addressing identified housing needs in the City. This includes policy and investment prioritising: i) Improving Housing Supply; ii) Improving Housing Quality; iii) Improving Housing Support. This strategy has been agreed by Full Council
2. The City Plan also sets out housing targets across all tenures; policies on securing affordable housing through the planning system, residential development standards.
3. Housing Revenue Account (HRA) Asset Management Strategy is aligned to Housing Strategy in support of improving housing supply & housing quality. Greater Brighton Housing & Growth (GBH&G) Working Group is aiming to accelerate delivery of new housing supply through freedoms and flexibilities sought as part of the wider Greater Brighton proposals.

Key controls include:

1. Housing Allocation Policy framework ensuring best use of existing council and registered provider resources through nomination of affordable housing to priority households.
2. Procurement of Temporary Accommodation and long term private sector housing lettings with private landlords in the city and wider city region for those to whom we owe a housing duty.
3. Our 'New Homes for Neighbourhoods' estate regeneration programme to deliver new affordable Council homes in the city.
4. Development of additional Housing Delivery Options: Living Wage Joint Venture with Hyde proposal to deliver 1,000 new lower cost homes for rental and sale; and, Housing Market Intervention / direct delivery through council wholly owned housing company.
5. Enabling delivery of new affordable homes in partnership with Registered Provider partners and the Homes & Communities Agency.
6. Improving supply through best use of existing HRA assets including conversions / hidden homes programme/ delivery of council owned Temporary Accommodation.
7. Implementation of expanded Home Purchase Policy.
8. Bringing long term empty private sector homes back into use through our Empty Property Strategy.
9. Tenancy sustainment initiatives particularly for more vulnerable people in order to prevent homelessness.

10. Ongoing work of Greater Brighton Housing & Growth initiatives to accelerate delivery of new homes.
11. On-going work of the Greater Brighton Strategic Property Board; bringing national, regional and local partners together to make the best use of the combined public estate – including the release of surplus land and sites for economic growth (new jobs, employment floorspace and home)’.
12. The homelessness trailblazer programme is providing effective early intervention.

Second Line of Defence: Corporate and Committee Oversight

1. Corporate Investment Board
2. Strategic Investment Board
3. Cross Party Estates Regeneration Board
4. Strategic Housing Partnership (cross sector)
5. Strategic Accommodation Board (reviewing accommodation needs of vulnerable households across Housing, CFS & ASC). Progress is reported in NCH Directorate Plan.
6. The risk was reviewed at A&S Committee in January 2018.

Third Line of Defence: Independent Assurance

Internal Audit - June - Oct 2018 Supported & Semi-Independent Accommodation – Reasonable Assurance. No specific Internal Audit work in 2017/18. In 2016/17 on Housing New Builds concluded Substantial Assurance.

Ministry of Housing, Communities & Local Government information returns.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Continue to track number of Right to Buy Purchases; student houses; Houses in Multiple Occupation (HMOs), accepted as homeless under our statutory duty and the number of cases ASC & Children’s accept a duty to house	Head of Housing Strategy, Property & Investment	70	31/12/18	01/04/15	31/03/19

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: New Allocations Policy implemented (March 2018). Tracking of Right to Buy Purchases; student houses; HMOs; households accepted as homeless under our statutory duty and the number of cases Health & Adult Social Care (ASC) & Families, Children & Learning (FCL) accept a duty to house are all on-going as part of our wider budget, strategy and programme management arrangements. This information feeds into: HRA Business Plan; Estate Regeneration Programme; Development of Housing Strategy; Review and development of Private Rented Sector licensing proposals; Work is ongoing to ensure FCL and ASC use all of their allocation to maximise the housing given to people with high support needs. Government returns related to homelessness and plans for Homeless Reduction Act and liaison with HASC & FCL regarding meeting the accommodation needs of vulnerable adults and children through our Strategic Accommodation Board.</p> <p>Housing & New Homes Committee have extended the Home Purchase Policy to enable us to exercise our right of first refusal on first re-sale of RTB homes subject to parameters and to buy S106 properties on large developments and also to purchase properties on the open market. First properties purchased under this scheme now let and in management and a further ten properties will be purchased before the end of the financial year. November 2017 Housing & New Homes Committee agreed a significant extension of Private Rented Sector (PRS) licensing. Application for consent to introduction of selective licensing agreed by Secretary of State (Sept 18) and scheme to come into force 4/2/2019). Responding to application for Judicial Review from Southern Landlords Association (May 2018). Commencement of additional licensing of city-wide scheme for smaller HMOs in March 2018. Government expansion of mandatory licensing of larger HMOs from 1 October 2018.</p>					
Effective implementation of affordable housing policy in the City Plan	Head of Planning	75	31/03/19	01/04/15	31/03/19

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Oct 18 - Delivery of affordable housing through S106 has diminished largely as a consequence of reduced funding for affordable housing delivery through s106. Evidence will be provided in the annual monitoring information. It is being off set by direct delivery and increased flexibility through commuted sums. Officers will continue to apply the policy and require evidence to justify the level of affordable housing provided. Work underway on introducing a range of viability assessors (rather than just the DVS).</p> <p>The Affordable Housing Policy is part of the City Plan which was Adopted by Full Council on 24th March 2016. The affordable housing policy sets a target for securing affordable housing as part of new housing developments (e.g. 40% affordable housing of 15 or more dwellings). There is flexibility built into the policy to allow for a lower amount where a developer can demonstrate that the target would render the scheme unviable - they are required to provide evidence to demonstrate this (a viability assessment).</p> <p>Guidance on affordable commuted sums agreed at EDC Committee in June 2016 and further guidance on when commuted sums for larger sites (15 plus dwellings) added to the Developer Contributions Technical Guidance in January 2017. Using commuted sums will enable flexibility in terms of delivering genuinely affordable housing. This is regularly monitored by the S106 Officer in the Major Applications Team and annual reported to Policy Resources & Growth (PR&G) Committee.</p> <p>Consultation started in October 2017 on an 'Open Book ' approach to viability evidence submitted to support planning applications - this is a requirement if an applicant is proposing lower amounts of affordable housing. This was agreed in January 18 this was introduced in Feb. 2018. This is providing more open and transparent information on why specific levels of affordable housing are being secured through the planning application process.</p> <p>Build to Rent guidance note for officers prepared to help advise officers on how to secure affordable housing through this new housing development product.</p> <p>There is on going liaison between the Planning Service and Housing Strategy and Estates Regeneration Teams to prioritise delivery of affordable housing.</p>					
Executive Director, NCH meetings with Government	Executive Director Neighbourhoods, Communities & Housing	30	31/03/19	05/02/18	31/03/19

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: ED NCH met with Government 5/2/18 re. possible additional funding going into the sector, the issues around housing associations building properties for sale; and finally that we were in an uncertain period. Government were committed to provide more homes. New Homes for Neighbourhoods has seen a number of new homes delivered. In addition, we have completed BrookMead extra care scheme. Regular bi-monthly meetings with Homes England continue.</p> <p>Responses to the following bidding opportunities to enable delivery of new homes to be developed: Launch of bidding for the Housing Revenue Account additional borrowing programme, to help local authorities build new council homes; Launch of bidding for Affordable Homes Programme grant, including investment for social rent homes, targeted at high affordability pressure areas.</p>					
<p>Explore options with universities to improve student accommodation provision to meet demand arising from student numbers.</p>	<p>Head of Housing Strategy, Property & Investment</p>	<p>60</p>	<p>31/12/19</p>	<p>01/04/15</p>	<p>31/12/19</p>
<p>Comments: Student Housing Study to inform both City Plan Part 2 and Housing Strategy refresh has been commissioned and completed following review. Student Housing Study likely to impact on premis of 'forecast growth in student numbers' as this is not supported by new projections (subject to review). Study to inform consultation and development of City Plan Part 2 and development of the updated Housing Strategy which will commence in 2019 in partnership with key stakeholders including the Strategic Housing Partnership.</p>					
<p>The Strategic Housing Partnership briefed on progress to date with consultation task and finish groups informing Student Housing Strategy development. A report is planned to Housing & New Homes Committee in November 2017 reviewing the evidence and seeking permission to go out for Student Housing Strategy consultation during 2018.</p>					
<p>Housing Revenue Account (HRA) stock improvement & estate regeneration initiative ' New Homes for Neighbourhoods' to increase affordable housing supply</p>	<p>Head of Housing Strategy, Property & Investment</p>	<p>80</p>	<p>31/03/19</p>	<p>01/04/15</p>	<p>31/03/19</p>

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Housing Revenue Account Asset Management Strategy is aligned to Housing Strategy in support of improving housing supply & housing quality. Housing stock review is an ongoing process. HRA asset management strategy (HRA AMS) has been approved by Housing and New Homes Committee and P&R Committee for 2016-2020. Post Grenfell tragedy HRA AMS review considered at September 2017 Housing & New Homes Committee. Review and update via Capital Programmes and related plans, including ongoing consultation with residents at Area Panels and Home group – Capital Investment Programme is subject to consultation to inform Budget reports for January 2019 for Housing & New Home (H&NH) Ctte approval to proceed to February PRG and then Budget Council.</p> <p>HRA AMS supports increasing housing supply through:</p> <p>Our 'New Homes for Neighbourhoods'(NHFN) estate regeneration programme to deliver new affordable homes in the city.</p> <p>November 2018 H&NH Ctte to consider a report updating on delivery of new affordable housing by the council and future plans to escalate delivery, including utilisation of increased HRA borrowing following lifting of the HRA borrowing cap (subject to Government guidance).</p> <p>Head of Housing Strategy, Property & Investment.</p>					
Investigate options for council resources to develop finance expertise to increase council's ability to negotiate effectively with developers and local private agents re. schemes for housing and to provide affordable housing	Head of Housing Strategy, Property & Investment	80	31/03/19	01/04/15	31/03/19

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Affordable Housing – Housing Delivery Options</p> <p>Improving housing supply in the City, in particular the supply of affordable homes, is a key aim of both our Housing Strategy and City Plan. We continue to work with Planning colleagues to maximise the delivery of new affordable homes via Planning policy including a forthcoming review of our Affordable Housing Brief and response to guidance on new products including Build to Rent.</p> <p>By way of mitigation and in addition to existing means of improving housing supply, the opportunities considered for accelerating the delivery of new affordable homes in the City are outlined in a report to November 2018 H&NH Cttee updating on our plans to escalate the delivery of new affordable housing by the Council including:</p> <p>Maximising use of HRA borrowing capacity including via New Homes for Neighbourhoods programme;</p> <ol style="list-style-type: none"> 1. Living Wage Joint venture (LWJV)- with Hyde Housing Association to acquire land and develop new homes for sub-market rental and sale for local people. The JV company would deliver 500 Living Wage rented homes and 500 Shared Ownership homes for local people, the first three sites have been identified to deliver up to 570 homes. 2. Wholly Owned Housing Company (WOHCO) - options for the local authority to: intervene in the housing market as a potential purchaser / lessee of new accommodation being brought forward on development sites in the City or sub-region; and, direct development of new homes in order to meet identified housing needs. <p>Housing Strategy & Enabling Team continue to work with Planning, developers, as well as Homes & Communities Agency and Registered Provider Partners on our Affordable Housing Delivery Partnership, to enable maximum delivery of new affordable homes on development sites in the city in line with our Affordable Housing Brief and City Plan requirements under City Plan (CP) 20 Affordable Housing.</p> <p>Work also completed with HCA and colleagues across the council on bidding for the Housing Infrastructure Fund.</p> <p>Head of Housing Strategy, Property & Investment through regular meetings with HCA and of Affordable Housing Delivery Partnership.</p>					
Investigate options to procure more housing for affordable rented and shared ownership use	Head of Housing Strategy, Property & Investment	80	31/03/19	01/04/14	31/03/19

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Affordable Housing – Housing Delivery Options</p> <p>Improving housing supply in the City, in particular the supply of affordable homes, is a key aim of both our Housing Strategy and City Plan. In addition to existing means of improving housing supply, the opportunities considered for accelerating the delivery of new affordable homes in the City have been reported to H&NH Ctte as follows:</p> <p>Expansion of Home Purchase Policy (Sept 2018) allowing the council to look at the option of expanding existing buy back provisions and look at purchasing affordable housing supplied as part of new developments in the City.</p> <p>Housing Supply Update (November 2018) an update on future plans to escalate delivery of new affordable housing by the council including procurement of more homes for rent and shared ownership, including through the Living Wage Joint venture (LWJV)- with Hyde Housing Association.</p>					
Work through City Deal with regional partners & LEP to promote Economic development incl increased sub-regional working to meet housing need	Head of Planning	40	31/03/19	01/04/15	31/03/19

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Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Oct 18 - Recruitment of Project Manager unsuccessful so approach to be re-evaluated and post re-advertised. Study Briefs for LSS3 work including 'Housing growth options' (which includes a geographical dimension) agreed by Strategic Planning Board in July. It was agreed that this would be shared with - GBEB, Gatwick Diamond and West Sussex CEOs. Report not allowed to go to GBEB (concerns raised at pre-meet). As a consequence alternative governance to be considered for West Sussex and Greater Brighton (meeting of CEOs). Significant risks around lack of project manager and lack of a work programme.</p> <p>June 18 - Agreement from West Sussex and Greater Brighton Strategic Planning Board (WS&GB SPB) to work on Local Strategic Statement³ which is strategic statement for the area that will look at key strategic across the wider area looking at housing numbers, economic growth and infrastructure needs. Funding identified and project manager to be recruited - this will start in July 2018. The bid for Planning Delivery Fund (Joint Working) was unsuccessful. As a consequence the West Sussex and Greater Brighton Planning Officer Group will proceed with exploring alternative options for a strategic plan for the area.</p> <p>Previous Updates: Following work by the Greater Brighton Housing & Growth (GBH&G) Working Group to accelerate delivery of new housing supply a Local Strategic Statement 2016 was developed with the sub-regional planning group to consider the wide Greater Brighton area including Surrey.</p>					
Work with partners to address student housing needs	Head of Planning	73	31/03/19	01/04/15	31/03/19

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Oct 18 - Consultation completed on draft City Plan Part Two. Objection to one of the two allocated student housing sites and HMOs policy more supported than objected to. Work underway to sign off conditions on key student housing sites - Circus Street and Preston Barracks. Work in progress on application at MET college. Technical study demonstrates that with Universities slowing/stopping growth after 2020 combined with completion of purpose built housing by 2020 - there will be a demonstrable reduction in pressure on established residential areas via proliferation of HMOs.</p> <p>Student Housing Study technical background paper completed July 18. City Plan Part 2 draft agreed at Committee for consultation for 10 weeks from July to September. The Plan includes two proposed policies that will relate to management of student housing and allocates two further sites for potential purpose built student housing. Local Strategic Statement 3 will be prepared, starting autumn 2018, and this will explore strategic issues such as student housing. Continued working with the Strategic Housing Partnership in relation to student housing issues. Student Housing technical background paper completed and to be used to inform the Student Housing Strategy.</p> <p>In terms of managing concentration of Houses in Multiple Occupation (HMO) - City Plan policy is being implemented and where appropriate enforcement action taken against unauthorised HMOs. Proposed City Plan Part 2 policy will be proposed that will address issue of localised concentrations of HMOs. Additional resources have been given to the Planning Enforcement Team to support this work.</p> <p>Supporting purpose built student housing (PBSH) - Consent was given to Preston Barracks redevelopment in Sept 17 which will deliver 1200 purpose built student rooms. Work underway on Circus Street. Additional speculative schemes for PBSH reaching completion or underway on Lewes Road.</p>					

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR26	Not strengthening the council's relationship with citizens	Executive Director Neighbourhoods, Communities & Housing Head of Communications Head of Communities, Equalities & Third Sector	BHCC Strategic Risk, Customer / Citizen	21/11/18	Threat	Treat	Amber L3 x I4	Amber L3 x I3		Revised: Adequate

Causes

Link to Corporate Plan: Outcome ' A modern council: Providing open civic leadership and effective public services'

Potential reduced service offers by the council or its Key Partners may lead to poor perceptions from citizens

Not enough use, promotion or development of service delivery through technology (linked to Digital First)

Increased need to collaborate with other public agencies and third sector organisations to service citizens, including as a 'service of last resort'

How staff across the council in key frontline directorates embrace and promote the new ways of service provision to service users and citizens and forge links with others in the organisation for corporate buy-in

Adverse media coverage may impact on courage to make decisions; and change

Potential Consequence(s)

* Council's offer falls behind public expectations of services access and delivery standards in comparison with other organised public services and private organisations

* Council's offer is not well defined, practiced or understood by citizens and communities

* Council loses relevance with its local communities

* Less support from the council from its citizens

* The council's leadership role may be compromised if other organisations are influenced by negative perceptions

Existing Controls

First Line of Defence Management Controls:

1. Customer Feedback, including complaints and survey methods monitor council reputation, e.g. City Tracker, Media Monitoring
2. Increased joint commissioning with other public sector organisations to demonstrate value for money
3. Corporate Plan 2015-2019 emphasises working with Communities
4. Front line services work to manage down demand, as detailed in the Directorate Plans for Adult Services and children's Services
5. Health & Adult Social Care work closely with the Clinical Commissioning Group (CCG) and Public Health England to ensure planning of delivery to our residents
6. Directorate Management Teams monitor impacts on customer and services

Second Line of Defence Corporate Oversight:

1. 'Horizon scanning' by the Executive Leadership Team (ELT) and Directorate Management Teams (DMTs) of legislative change affecting council service delivery
2. Officer Steering Group (Customer Insight Group) representing 5 biggest customer service functions meets regularly to analyse impact on citizens and plan improvements
3. CCG and council work on the Health & Wellbeing (HWB) Board, including co-location at Hove Town Hall
4. Corporate Modernisation Board, chaired by Chief Executive, establishes and deploys resources to make changes most effectively in 6 workstreams related to NCH, including support from PIP on Programme Management, e.g. business cases, progress review, timetable
5. Neighbourhoods, Communities & Equalities (NCE) Committee oversight of programmes relating to the 6 workstreams in NCH

Third Line of Defence Independent Assurance:

Internal Audit - The 2017/18 Internal Audit Plan included an audit of Public Consultations which concluded Reasonable Assurance.
 In 2015/16 the audit on Organisational Ethics concluded Substantial Assurance.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Develop customer service standards and reporting against these standards	Head of Performance, Improvement & Programmes	63	30/03/20	20/04/16	30/03/20

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Customer Promise has been developed by the Customer Experience Steering Group consisting of services representing high transactions with the council and other key services. This has been developed in consultation with customers and Institute of Customer Service. The promise has been launched across the organisation along with the guidance. A Transition Table has been developed to clarify what a 'fully ready' state would look like in terms of delivering excellent customer service.</p> <p>Our performance against these standards gets reported in the annual Customer Insight Report. Monthly Customer Insight Dashboards are now being prepared to strengthen management information. Learning from Feedback section in the dashboard gets shared with front line staff via Customer Experience Steering Group members. Barriers to delivering good customer service - capacity issues within services, pace of modernisation including IT modernisation, pressing demands reducing focus on addressing customer queries/complaints. A business case has recently been approved by the Corporate Modernisation Delivery Board which will result in identification of Customer Experience Ambassadors to embed key learning within front line.</p>					
<p>Ensure through its communications and public relations activities that the council is concise about its ambitions and visions for the city, demonstrating at all times collaboration and openness with the city about how change will happen</p>	<p>Head of Communications</p>	<p>50</p>	<p>31/03/19</p>	<p>20/04/16</p>	<p>31/03/19</p>
<p>Comments: A Communications Strategy for the council 2017-2019 agreed with ELT and all political groups. The tone and content of our communications with citizens should consistently demonstrate:</p> <ol style="list-style-type: none"> 1. How the council is getting basic services right, protecting the most vulnerable people, supporting growth & regeneration that benefits everyone. 2. How the council is changing lives, enabling positive outcomes, working hard continually to make the city as a fantastic place to live, work and visit. 3. How the council listens, communicates responds and is a well-run democratic organisation 4. How the council is a well-run organisation providing high quality, value-for-money, community-led services, raise perceptions of the council as a well-run organisation. 5. Encourages engagement and involvement in the shaping and delivery of council services, including active interest and participation in local democracy and decision making. 					

Our communications principles are:

1. We will put people – primarily our residents - at the heart of our communications and recognise that it's them that drive everything we do.
2. We will involve residents and local stakeholders much more in how services are delivered; which will enhance understanding and usage of the council's services, and increase positive perceptions of the council delivering high quality and value for money services.
3. We will seek to create and embed campaigns which are more able to positively engage people in helping to shape and develop the council and make use of its services.
4. We will reflect a thorough knowledge and understanding of the city's diverse communities, showing that everyone is valued and celebrated, promoting Brighton & Hove as a place of opportunity for all in which the council, together with its partners, positively encourages and enables people to live their lives to the full.
5. We will celebrate and promote that we are a democratically run organisation, by promoting and advocating; we are a unifying organisation that uniquely has a mandate to speak on behalf of the city.

Tangible progress / achievements:

Externally focused progress:

A fortnightly resident's e-newsletter was launched in March 2017, which aims to drive traffic to the council's web content.

Audience sign-up has increased steadily from around 450 pre-launch to nearly 2,000. Development work is now ongoing to improve content and drive subscription rates and click throughs.

A social media strategy has been completed which aims to improve meaningful engagement and communication with residents.

As part of the social media strategy work we developed new graphic templates and used new video software. The impact of these will be evaluated and reported on to clients and ELT using specific measurement targets and tools.

At the start of October, we also started to tag all social media posts we send and receive from residents. This will help us show how we're using social media to support the delivery of the council's corporate plan and highlight the concerns of residents across the city.

In December the council's new digital newsroom was launched with aim of becoming a 'credible voice' in terms of being informed about the council. News stories are now written more in line with everyday language used by residents and stories are also presented in chunks, separated by headers and pictures to encourage higher reading and assimilation rates.

In the New Year the council's new digital campaign webpages will be launched and tested with three campaigns – rough sleeping and homelessness, keeping the city clean and air quality and electric vehicles.

A campaign timetable and schedule has been produced to support a new administration and senior officers to agree annually on three campaign priorities. Work to ensure a shared understanding of campaign work is also starting in the new year.

Work is nearly complete on the procurement of new consultation software enabling easier collaboration with residents. A service redesign of the Communications Team proposes a new role dedicated specifically to consultation and engagement.

The Communications Team has inputted into the digital branding of the council's new website and is leading the work on new brand and style guidelines with the aim of making the council's visually led communications more accessible.

The Communications Team is leading on equalities work to ensure the city is fully reflected; recommendations are expected in April 2019.

The Communications Team has undertaken site visits of Brighton & Hove Town Hall Customer Service Centres and recommendations for Brighton Customer Service Centre has been considered and approved by the council's Customer Services Steering Group and Corporate Modernisation Delivery Board. Improvement aim to improve the customer experience and also better utilise the service centres as communications channels.

Internally (staff focused):

Three Leadership Networks for the council's most senior 100 managers have been delivered.

Three editions of a new monthly City Environmental services newsletter has been produced, and a first look template for other services to use has been published.

18 editions out of 26 of Your City Council (staff e-bulletin) have to date been produced in 2018/19.

14 leadership Blogs have been published in 2018/19.

Over 500 Wave (staff intranet) news items have been published to date in 2018/19, co-ordination of service Wave authors to deliver service content is ongoing.

Work is ongoing to replacing the Wave (staff intranet) which is no longer fit for purpose

Two staff workshops have taken place to gather feedback on existing Wave and more are planned for autumn. Solutions used by other councils/organisations have also been researched.

Engagement has also taken place at a senior level with HR&OD and PIP on the need to replace the Wave.

New specification for replacement Wave agreed project agreed with list of organisational requirements. Core principle is access for all front line staff.

“Our People Promise” (OPP) concept successfully pitched at service, directorate and ELT level, and has Member sign off. Formally established as HR&ODs modernisation programme.

New identity and suite of graphics and user guide has been developed and issued to the organisation.

The OPP is being used across all communication channels including launched through the Chief Executive’s public blog, used in Your City Council, two Leadership Network meetings, and throughout the Wave, and embedded into key workforce activities such as the new PDP process and Behaviour Framework.

Staff induction programme has been completely redesigned and a fresh new process and “Welcome Session” has been successfully delivered.

New plan and process in place for the Big Difference Award following a trial of key concepts in the 2017 Big Difference Awards. The June/July session couldn’t take place due to staff sickness and lack of capacity within internal communications, however a bigger annual event is now planned as part of the review into a new annual award scheme.

Filming has completed for the staff recognition films. The first edit has been produced.

Finance work with partner authorities on developing lobbying arrangements to push central government to clarify and maximising future income streams and government grants	Executive Director of Finance & Resources	100	23/02/17	20/04/16	23/02/17
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Comments: The following actions form part of 'business as usual' as such this action is complete. Finance working with central government (including Department for Communities & Local Government / LGA Business Rates Steering Group) to explore direction of travel
 Finance working with Orbis to influence DCLG on social care budget issue.
 Finance working with SE7 partners to assess potential impact of different Business Rate Retention policy designs.
 Informal direct lobbying in place through contact between officers and Whitehall.
 Further work planned around operating across a Greater Brighton geography.

Oversight and delivery of the Collaboration Framework Action Plan	Head of Communities, Equalities & Third Sector	50	31/07/19	02/10/17	31/07/19
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Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Collaboration Framework Action Plan signed off by city's Equality and Inclusion Partnership July 2018 and is a standing item at each meeting monitor progress and manages risks. A 12 month review will be completed in July 2019.</p>					
<p>Volunteering Policy and delivery arrangements across council services and with Community & Voluntary Sector (CVS)</p>	<p>Head of Communities, Equalities & Third Sector</p>	<p>60</p>	<p>30/06/19</p>	<p>01/06/15</p>	<p>30/06/19</p>
<p>Comments: A new cross sector volunteering action group was convened end of November 2017 - City Volunteering Partnership. This brings together the volunteer leads in the key public sector organisations with volunteer leads in the CVS to work collectively on delivering the city's Power of Volunteering pledges. The new group has met three times and identified the key strategic issues for the city on volunteering is the increasing complexity of volunteers versus the capacity available within organisations to support the volunteers as well as continuing to promote volunteering to all communities in the city. A range of actions is being developed to address. First action completed was a toolkit on the Volunteer Centres website for supporting volunteers from overseas. Groups has also analysed the data from City Tracker on demographics of those least likely to volunteer to inform any targeted work. The second year of 'working with communities and volunteers' training started in April 2018 and is progressing well with a high number of participants from wide range of services and organisations. This cross sector action learning training is being targeted at the four community hub areas and has been redesigned to maximise attendance by frontline staff: East Brighton, Mouslecoomb and Bevendean, Hangleton and Knoll, Hanover and Elm Grove. A further round of sessions will be organised for Spring 2019.</p>					

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR23	Unable to develop an effective Investment Strategy for the Seafront	Executive Director Economy, Environment & Culture Assistant Director - City Development & Regeneration	BHCC Strategic Risk	21/11/18	Threat	Treat	Amber L3 x I4	Amber L3 x I3		Revised: Adequate

Causes

Link to Corporate Plan: Priority Economy, Jobs and Homes: Regenerate the Seafront

The seafront is a city asset which is iconic and contributes to the city's reputation. The council is the lead custodian of the seafront but the benefits are shared by many. At least 5 million people use our seafront every year. It is a very significant attraction in our visitor economy; provides a series of important public spaces for residents; many businesses in the city rely on the draw of the seafront to sustain their organisation's value and to provide an attractive place for stakeholders and employees. It is being used beyond its original design and, in many ways, is a victim of its own success and affected by the changing patterns and increased demands of usage. The deterioration of Madeira Terraces in particular have reached a critical point, requiring fencing and safety measures whilst a longer term solution is developed.

Potential Consequence(s)

The heritages structures and infrastructure along the seafront require significant investment and ongoing revenue in order to ensure suitability for modern use, and to preserve and enhance the reputation of the city and its offer.

Existing Controls

First Line of Defence: Management Controls

- 1) Seafront Investment Programme and Strategic Delivery Board have been established and are actively considering seafront redevelopment opportunities including the Black Rock and King Alfred sites
- 2) Department for Transport (DfT) funding secured for the redevelopment of the West Street / A259 Junction and Shelter Hall. Initial infrastructure work commenced late 2015
- 3) Coast Revival Funding secured to develop Madeira Drive Investment and Regeneration Plan
- 4) Heritage Lottery Funding (HLF) secured for improvements to Volks Railway
- 5) Seafront Arches and A259 infrastructure Phase 2 works completed June 2016
- 6) P&R approval to commence seafront landscaping around i360 and seafront arches. PR&G approval to enter into a conditional development agreement with Standard Life Investments for the Brighton Waterfront Project
- 7) Installation of anti-climb fencing at Madeira Terraces November-December 2015 and continued work to minimise risk from potential structural failure.

Second Line of Defence: Corporate Oversight

Investment plan to underpin the Seafront Strategy and long term viability of the seafront infrastructure. Report to Policy, Resources & Growth Committee in October 2016;
Corporate Investment Board;
Cross-party Strategic Delivery Board.

Third Line of Defence: Independent Assurance

Projects funded by Government departments are overseen by the Greater Brighton Economic Board (quarterly) and Coast to Capital LEP governance arrangements (quarterly) / and by relevant government department (according to their timetable). No funding has been withdrawn to date.
Internal Audit - Internal audit review of the Waterfront Project in 2017/18. Some independent assurance on this risk is also provided by the Greater Brighton Economic Board (quarterly) and Coast to Capital LEP.
2016/17 audits were Valley Gardens and Shelter Hall (Limited Assurance)

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Prepare a further Stage 1 bid to the HLF Fund as previous Stage 1 bid was unsuccessful.	Assistant Director - City Development & Regeneration	80	31/03/19	10/04/18	31/03/19
Comments: Exploring option of getting the arches reviewed to raise their listing status to Grade II*.					

18-Dec-2018

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
The crowd funding campaign for the renewal and upgrading of the first three arches was successful, we now need to implement the project and spend the funding.	Assistant Director - City Development & Regeneration	25	31/03/19	22/12/17	31/03/19
<p>Comments: The new project manager has started establishing themselves in post to drive this project forward. Work is ongoing to develop the project structure and get the team in place and start the process of procuring the right professional team. as a pre-cursor to mobilising on site, and to develop a presence on site early to show progress, a site office will be established before Burning of the Clocks.</p>					

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR30	Not fulfilling the expectations of residents, businesses, government and the wider community that Brighton & Hove City Council will lead the city well and be stronger in an uncertain environment	Chief Executive Executive Lead Officer Strategy, Governance and Law Service Manager - Directorate Policy & Business Support Executive Director of Finance & Resources Executive Director Neighbourhoods, Communities & Housing Executive Director Economy, Environment & Culture Executive Director Families, Children & Learning	BHCC Strategic Risk	21/11/18	Threat	Treat	Amber L3 x I4	Amber L3 x I3		Revised: Adequate

Causes

Link to Corporate Plan: Priority: Economy, Jobs and Homes: Deliver better business space and affordable homes/accommodation

Fulfilling the expectations of business, government and the wider community that Brighton & Hove City Council will lead the city well and be stronger in an uncertain environment. Whilst the council has already established effective partnership arrangements to benefit the city such as Brighton & Hove Connected <http://www.bhconnected.org.uk/>, the City Management Board (CMB) find out more via <http://www.bhconnected.org.uk/content/city-management-board>; Greater Brighton Economic Board (GBEB) find out more via <https://greaterbrighton.com/about-us/introducing-the-economic-board/>) and wider city regional based leadership, if it does not 'step up to the mark' and embrace its role for Placed Based Leadership the council may be perceived as less relevant to business and wider community and others due to factors such as:

- * Brexit's significant implications for the city's internal trade profile
- * reduced council expenditure and changes to the traditional municipal model
- * increased volatility for the city, the 3rd largest city in the UK for Services Exports per job, including the impact of changed trading arrangements with Europe which currently provides 75% of current trade

Potential Consequence(s)

- * Our civic institutions are unable to provide effective leadership to the city
- * City Wealth reduces
- * Business cannot grow
- * Inequality grows
- * Fragmentation of communities
- * Fragmentation of framework for public service institutions
- * Less funding available for services
- * Lost opportunity to position the city as a positive place to attract businesses and employees who will benefit city growth
- * Reputation of council suffers as civic leadership role in the city
- * Citizens and businesses have less confidence in engaging with the council

Existing Controls

First line of defence: Management Controls

Full Council

Policy, Resources & Growth (PRG) Committee has oversight of key budget and policy decisions and all reports have a financial, legal and community impact assessments.

Health & Wellbeing Board have similar assurance functions as the PRG Committee.

City Management Board are not decision making but they are important influencers and it is an effective way of putting strategic issues on the radar of public authorities (find out more via <http://www.bhconnected.org.uk/content/city-management-board>)

Brighton & Hove Connected (link as above) a network of community & voluntary organisations and businesses in the city and works in an effective way to engage communities on issues of interest.

Royal Society of Arts, Manufacturing & Commerce ('RSA') were commissioned to work with political and managerial leadership

Corporate governance and processes to manage existing council business, eg Performance Management Framework (PMF).

Second Line of Defence: Corporate Oversight

Local Government Association (LGA) Peer Review and ad-hoc advice.

Greater Brighton Economic Board, rotating chair representing each partners oversees and makes decision on strategic issues relating to regional economic development (find out more via <https://greaterbrighton.com/about-us/introducing-the-economic-board/>)

Wider city region based leadership.)

Corporate Modernisation Delivery Board and the Executive Leadership Team (ELT) oversee the application of the PMF.

Council Leadership Board bi-weekly & Leaders' Group monthly oversight and oversight of issues of policy.

Third Line of Defence: Independent Assurance

HM Government

External Audit reviews of financial position of the city council - June 2018.

Inspectorate reports, e.g. Ofsted 2018.

Internal Audit - 2017/18 and 2018/19 No independent assurance work has been carried out on this risk.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Deliver Integration of health & social care within the city	Executive Director Health and Adult Social Care	25	31/03/20	14/02/17	31/03/20

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Policy Resources & Growth Committee confirmed support for integration of health and social care based on the city place based geography. Agreed to start shadow period in 2018 with no specific end date. Shadow governance arrangements have been approved and the decisions are being mirrored for sign off by the CCG Governing Body, considerable integration of operational working is being delivered within both the hospital social work teams and district adult social care team (specifically east team working with CCG Cluster 6).</p>					
<p>Develop Orbis as part of Place Based Leadership to reduce costs and improve service resilience</p>	<p>Executive Director of Finance & Resources</p>	<p>70</p>	<p>31/03/19</p>	<p>14/02/17</p>	<p>31/03/19</p>
<p>Comments: Orbis growth strategy will develop from 3 year business plan. Final Business Plan approved by Orbis Joint Committee on 19 January. Aside from Business Operations (which already has multiple customers) the most likely sources of growth are Business Operations, Procurement and Audit - and examples already include running the Audit Service for Horsham District Council and procurement for Adur & Worthing. Chief Execs of the three Founding partners (BHCC, Surrey, East Sussex) have expressed preference for local collaborations across sectors rather than national presence. Opportunities are being pursued with government agencies who may be keen to partner with B&H Orbis.</p>					
<p>Develop Stronger Families agenda and other measures to reduce pressures on family life</p>	<p>Executive Director Families, Children & Learning</p>	<p>65</p>	<p>31/12/18</p>	<p>14/02/17</p>	<p>31/12/18</p>

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Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: The Stronger Families Stronger Communities programme (the local Troubled Families programme) is in its sixth year of operation supporting improved outcomes for families with complex problems and delivering targeted family support to families before their issues become entrenched. We have recently successfully bid for upfront earned autonomy funding in the next phase of the troubled families programme nationally. This allows us to expand our family support work to include adult mental health provision. Improved parental capacity supports whole family resilience and helps reduce the call on specialist services above the social work threshold. The Troubled Families programme is set to end in 2020 which, alongside reductions in core funding for early help interventions, remains a risk from 2019 onwards. Current activity with partners seeks to evidence the impact of this programme and make the spend to save case for continued local funding as programme tapers.</p> <p>Children’s Centres provide services for families for children under 5 including support with parenting and helping parents to access childcare and work.</p> <p>In 2017 we brought together the Multi-Agency Safeguarding Team and Early Help Hub to create the Front Door for Families– a single point of contact for families and professionals. Both social work and family support services are using the Strengthening Families model of assessment and planning to identify and address the needs of the whole family.</p> <p>The city's Whole Family Working strategy has been launched in May 2018 to encourage all services to consider families as an entity with overlapping problems that need to be addressed together.</p>					
Develop the city's physical assets, social and environmental infrastructure	Executive Director Economy, Environment & Culture	90	30/03/19	14/02/17	30/03/19

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Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Strategic Delivery Board is overseeing the City's Investment Programme of regeneration and infrastructure projects. Circus Street mixed- use regeneration scheme development agreement become unconditional and full construction commenced August 2017. Construction ahead of schedule. Sale of King House completed October 2017. Planning permission for redevelopment into housing granted subject to s.106 November 2018. Preston Barracks planning permission approved by Planning Committee subject to conditions September 2017. s.106 agreed December 2017. Conditional Land Agreement reached unconditional January 2018. Full construction commences March 2018 Phase 2 Seafront Arches completed and Phase 3 (Shelter Hall) in construction - September 2017 Housing Living Wage Joint Venture business Plan approved by PRG Committee - October 2017. Joint Venture legal documents agreed December 2017. Planning applications for first sites to be submitted December 2018. Road infrastructure works ongoing (North Street and Elm Grove/A259 junction) -completed December 2017 Cross Party Asset Management Board established - September 2017 Valley Gardens Phase 1 and 2 construction commenced October 2018.</p>					
<p>Next Steps:</p> <ul style="list-style-type: none"> - Agreement of Conditional Land Acquisition Agreement for Brighton Waterfront Project - December 2018 - PRG Committee to consider development agreement for King Alfred redevelopment - December 2018 - Major projects and investment programme update reported to Strategic Delivery Board and Tourism, Development & Culture Committee - Ongoing 					
<p>Improve community cohesion and leadership profile with communities, incl the introduction of community hubs & neighbourhood governance.</p>	<p>Executive Director Neighbourhoods, Communities & Housing</p>	<p>80</p>	<p>31/12/18</p>	<p>14/02/17</p>	<p>31/12/18</p>

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Links to NCH Directorate Objective 5 Improve community well-being & resilience. Directorate Plan Action 5.9 Increase social capital within communities of identity and place and collaborate working between communities and the council through training and development for staff on working with volunteers and communities, and supporting the delivery of neighbourhood hubs.</p> <p>Progress update - Neighbourhood Action plans (NAPs) have been created for all four areas identified. - working with staff and the community to deliver the outcomes from the NAPs</p>					
<p>Lead Strategy, Governance & Law services to give stronger effect to formulate public policy to increase socialisation within the city</p>	<p>Executive Lead Officer Strategy, Governance and Law</p>	<p>50</p>	<p>30/09/19</p>	<p>14/02/17</p>	<p>30/09/19</p>
<p>Comments: Work in progress with key partners across the city from all sectors to develop a City Vision for 2030. This is nearly completed and the City Council's Corporate Strategy will commence starting March 2019 with a view to adoption of the Corporate Strategy in Autumn 2019. Directorate Plans will be developed to clarify plans for delivery against which progress will be monitored as part of the Performance Management Framework. Corporate Policy Network will review coordination of a number of strategies across the organisation and links with partner agencies to ensure alignment. City Management Board in place coordinated by the Policy, Partnership & Scrutiny (PPS) team. There are a number of partnerships such as transport reporting to the City Management Board and PPS are developing a policy framework across all directorates.</p> <p>City Vision 2030 is almost complete. A number of events/session taken place. On schedule to finalise work by November 2018.</p>					
<p>Partnership work with schools to deliver education which enables young people & meets requirements of local economy</p>	<p>Executive Director Families, Children & Learning</p>	<p>25</p>	<p>30/09/19</p>	<p>14/02/17</p>	<p>30/09/19</p>

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: IAG partnership group (Information Advice and Guidance Group) meets half termly, has representatives from every secondary school and college, and training providers and representatives from employer organisations, supporting schools and young people to pathways to employment and training. Includes Enterprise Adviser Network, Sussex Learning Network, National Careers Service and all independent careers advisers in the city. New independent providers are also encouraged to attend this group, to raise awareness of their provision. Once a year, all local training providers present to this group, for their next year's offer.</p> <p>16-19 Curriculum and standards group meets half termly, and is made up of all schools with 6th forms and colleges and university representation- vice principals or heads of 6th form. Has regular engagement with the Coast 2 Capital LEP, employers, and supports progression to employment.</p> <p>11-16 Curriculum Deputies partnership group, focused on standards and curriculum.</p> <p>Secondary and Continuing Education Partnership which now meets twice a year and is made up of secondary schools leaders, 6th form and FE college and universities. Considers wide range of topics and skills and IAG have featured strongly, providing pathways through secondary, FE and HE.</p> <p>Brighton & Hove Education Partnership chaired by Pinaki Ghoshal, and made up of representatives from all schools' phases and universities and 6th form colleges- developing and supporting positive education pathways and improving standards.</p>					
Programme to enhance the council's role to support the city economy and promote business	Executive Director Economy, Environment & Culture	74	31/03/19	14/02/17	31/03/19

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Corporate Modernisation 'Supporting Business' programme established. The Supporting Business Modernisation programme has the following workstreams:</p> <ul style="list-style-type: none"> - Developing the business case for the refurbishment of Brighton Town Hall along the 'City Hall for Business Model'. - Improving the delivery of joined up transactional council services to businesses through Digital First - Establishing a pool of Business Ambassadors who can support the city with business leadership to develop the city's Inward Investment, Trade & Export Strategy - Redesigning the City Council's Economic Development and International functions to align them to the changing needs of the city economy., - Business case for Brighton Town Hall refurbishment considered by Corporate Modernisation Board - December2017 - Digital First discovery work and business process review - Q3 2017/18. - Greater Brighton Trade, Export and Investment Strategy agreed by Greater Brighton Economic Board July2018 <p>Next Steps</p> <ul style="list-style-type: none"> - Design review for Brighton Town Hall project Jan-Feb2018 - Business Survey Spring 2019 - Economic Strategy considered by Full Council for approval - December 2019 - Appointment of Business Ambassadors Spring 2019. 					
Respond to LGA peer review and develop 2030 Vision to inform city leadership into May 2019 election	Executive Lead Officer Strategy, Governance and Law	70	30/09/19	02/03/18	30/09/19
<p>Comments: Work with key partners across the city from all sectors to develop a City Vision for 2030. 12 events have been completed and delivered, findings and conclusions are publicly available in a 2030 Vision online repository, which is accessible through the website http://www.bhconnected.org.uk/content/2030-vision. Brighton and Hove Connected agreed to continuation of ad hoc 2030 Vision events and partnership work as opportunities arise, and the online resource will be kept updated. Conclusions and findings will inform development of the City Council's Corporate Strategy with a view to adoption in Autumn 2019. Work with city partners to develop a new community strategy will take place within Brighton and Hove Connected, led by a steering group comprising of the chief executive, elected members and representatives of member organisations. The city tracker survey provides opinions of residents on the city, including satisfaction with council services, and leads to targeted improvement actions. There is continued work with city partners through Brighton and Hove Connected and the City Management Board. LGA Peer Review key deliverables agreed informs the development of the City Vision as it completes.</p>					

Subject:	Internal Audit Progress Report – Quarter 2 (1 July 2018 to 30 September 2018)		
Date of Meeting:	8 January 2019		
Report of:	Executive Director, Finance & Resources		
Contact Officer:	Name:	Mark Dallen	Tel: 29-1314
	Email:	Mark.Dallen@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The purpose of this report is to provide Members with an update on all internal audit and counter fraud activity completed during the quarter, including a summary of all key audit findings. The report also includes details of progress on delivery of the annual audit plan along with an update on the performance of the internal audit service during the period.

2. RECOMMENDATIONS

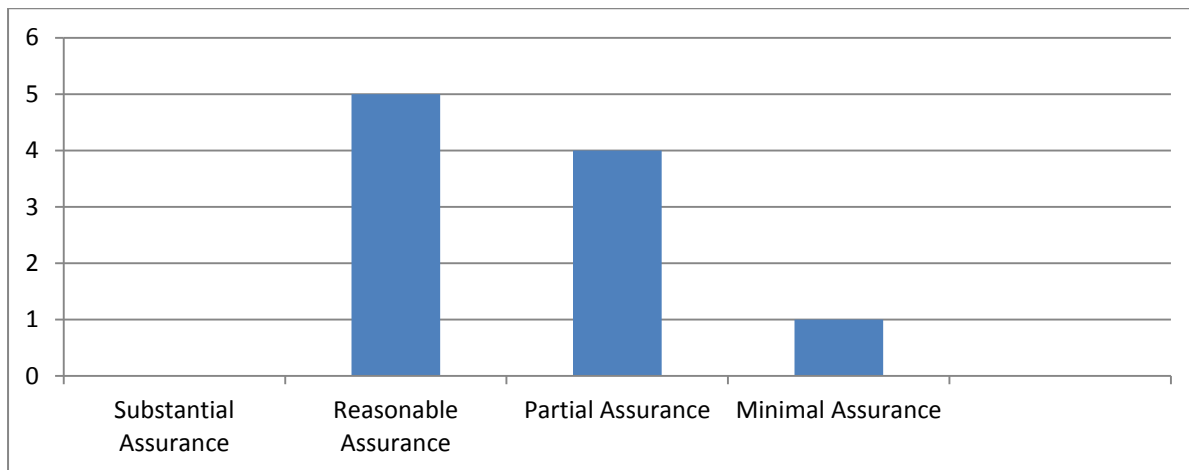
- 2.1 Members are asked to note the report and consider any further action required in response to the issues raised.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The current annual plan for internal audit is contained within the Internal Audit Strategy and Annual Plan 2018/19 which was approved by the Audit and Standards Committee on 28 March 2018.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Internal Audit is on target to deliver 90% of the approved audit plan as per the key performance indicator. For the year to date 22 audit reviews have been completed to draft or final report stage.
- 4.2 Key audit findings from final reports issued during Quarter 2 are detailed in Appendix A and the opinions given are summarised in the chart below. There were five reasonable assurance and four partial reports. There was also one minimal assurance report in the quarter which related to an audit of the Brighton Centre.



- 4.3 Formal follow up reviews continue to be carried out for all audits where ‘minimal assurance’ opinions have been given and for higher risk areas receiving ‘partial assurance’.
- 4.4 Appendix A also provides details of counter fraud investigations completed, information on the tracking of high priority actions and progress against our performance targets.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 None.

6. CONCLUSION

- 6.1 The Committee is asked to note the report.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 It is expected that the Internal Audit and Corporate Fraud Plan 2018/19 will be delivered within existing budgetary resources. Progress against the plan and action taken in line with actions support the robustness and resilience of the council’s practices and procedures in support of the council’s overall financial position.

Finance Officer Consulted: James Hengeveld Date: 19/12/18

Legal Implications:

- 7.2 Regulation 5 of the Accounts and Audit Regulations 2015, made under the Local Audit and Accountability Act 2014, 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 auditing standards’. It is a legitimate part of the Audit and Standards Committee’s role to review the work completed and planned by Internal Audit.

Lawyer Consulted: Victoria Simpson
18.12.18

Date:

Equalities Implications:

7.3 There are no direct equalities implications.

Sustainability Implications:

7.4 There are no direct sustainability implications.

SUPPORTING DOCUMENTATION

Appendices:

1. Internal Audit and Counter Fraud Quarter 2 Progress Report 2018/19

Documents in Members' Rooms

1. None

Background Documents

1. Internal Audit and Corporate Fraud Strategic Plan 2018/19

Internal Audit and Counter Fraud Quarter 2 Progress Report 2018/19

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1. Summary of Completed Audits

Personal Service Companies (IR35) – Reasonable Assurance

- 1.1 From April 2017 there were changes to the employment intermediaries legislation, known as IR35 which strengthened the existing requirements.
- 1.2 The changes related to workers in the public sector who choose to operate through a limited company vehicle, such as a personal service company. Where IR35 applies, these off-payroll workers are required to pay employment taxes in a similar way to employees.
- 1.3 The objective of this audit was to ensure that the Council is complying with IR35 legislation and its own internal policy position.
- 1.4 The audit found that the Council has responded pro-actively to the changes made to IR35 legislation, introducing a number of key controls to manage the risks associated with the use of personal service companies and consultants. There is a clear policy position, which has been well communicated to all key stakeholders and processes are in place to determine the correct tax status for workers operating via a personal service company at the point of engagement with the organisation.
- 1.5 Two areas for improvement were identified as follows as follows;
 - the creditor set up process could be developed to further support and challenge managers with regard to the IR35 and procurement requirements;
 - regular communication regarding IR35 and procurement requirements when engaging off-payroll workers would help to reinforce awareness and increase the likelihood of adherence to policy and process.

Nursery Services – Reasonable Assurance

- 1.6 The Council directly manages five full day care nurseries and two sessional pre-schools. They provide the free early years entitlement and childcare funded by fees from parents.
- 1.7 For 2017/18, total nursery income was £2.2m and the budgeted council budget subsidy for the service was £308k.
- 1.8 The purpose of the audit was to obtain assurance that controls are in place to meet the following objectives;
 - budgetary arrangements are robust and show clear oversight.

- arrangements are in place to ensure that all income due is collected and properly processed, and;
 - expenditure incurred is correctly authorised and processed in accordance with financial regulations and the needs of the service.
- 1.9 The audit identified that appropriate financial management arrangements are in place but that there are inconsistencies in processes across the nurseries. Areas where improvements can be made are in relation to budget awareness, setting, forecasting and monitoring processes, income reconciliation and debt collection. Appropriate actions to address these issues have been agreed with management as part of a formal action plan.

Supported & Semi-Independent Accommodation – Reasonable Assurance

- 1.10 Supported Accommodation aims to provide accommodation and support pathways to adulthood for young people who are in need of housing and support. A budget for the service includes three broad support options which young people can move between. These are supported accommodation, floating support and shared (student style) accommodation.
- 1.11 In 2017/18 expenditure on this service was £2.2 million which was £685k over the approved budget.
- 1.12 The audit found that the needs of the young person are placed at the heart of the decision making process and that records held within the Child Placement team were of good quality.
- 1.13 Areas where improvements can be made are;
- for placements made outside the remit of this team, evidence (around decision making and cost approval) could not be located for those cases tested. An action was agreed to address this issue, and;
 - the procurement of a framework arrangement for the provision of supported accommodation and semi-independent living (via an Accredited Provider List) is being introduced but at the time of the audit, this process was not yet live.
- 1.14 As noted above there was a significant budget overspend in 2017/18. As a consequence, the 2018/19 budget reflected an assumption of continued growth in placement numbers and was increased to £2.5 million.

Disaster Recovery – Partial Assurance

- 1.13 In June 2018, the Council completed the first move of its data centre and hosted applications to the new ORBIS data centre in Redhill. This process involved the relocation of servers to the new site. Internal audit acknowledged that the migration from the previous disaster recovery site to an Orbis data centre would also include an overhaul of current disaster recovery processes and documentation in line with Orbis standards. However, this review considered the provision of disaster recovery as at the time of audit.
- 1.14 The objective of the review was to establish the current provision of disaster recovery across the systems hosted by the Council and to what extent this recovery provision was understood, trained for and documented.
- 1.15 A number of areas for improvement were identified. These include the need to:
- remove inconsistencies in formal documentation and definition of the overarching and individual disaster recovery processes;
 - review and update policies and overarching documents that support the identification of the Council’s critical systems and the response to supporting disaster recovery incidents to reflect changes to critical requirements of the authority;
 - strengthen the documentation of risks and event responses to reduce the risk of error or loss of critical data, when recovering key systems, and the speed at which recovery can occur.
- 1.16 These areas have been discussed with management who agreed a full review of the Disaster Recovery arrangements will be commissioned to provide strategic review and coordination taking into account all of the findings identified in the report and to ensure IT&D provide a disaster recovery response that is fit for purpose.

Orbis Integrated Budget Management – Partial Assurance

- 1.17 The Orbis Partnership is responsible for delivering services from a joint operating budget, which is shared by the three partnership authorities, in accordance with an Inter Authority Agreement (IAA).
- 1.18 The gross Orbis joint operating budget for 2018/19 is £76.4m, with income budgeted at £13.8m, leaving a net budget of £62.6m. Each Council contributes to the net budget on a ratio of 55% (Surrey County Council (SCC), 24% East Sussex County Council (ESCC) and 21% Brighton and Hove City Council (BHCC)).
- 1.19 The purpose of this new audit was to provide assurance that:

- governance structures, including roles and responsibilities, are clearly defined, understood and effective;
 - adequate and timely management information is available that facilitates effective decision making;
 - budget management reports contain materially accurate and timely information to facilitate effective budget management;
 - the operating costs of Orbis are identified and apportioned across the three Orbis partners on a consistent basis and are clearly understood. Mechanisms are in place to ensure that all income and expenditure is matched to the correct Orbis partner, and;
 - mechanisms are in place to ensure that changes to costs for one partner that are material can be measured and reflected fairly in the agreed contribution ratio.
- 1.20 Whilst areas of good practice were identified, we found a number of opportunities for improvement in control and we were, therefore, only able to provide an audit opinion of partial assurance. The opinion has reduced because managers, who have been managing budgets on an Orbis-wide basis, have had less clarity in their budget reports. This has particularly been the case where their budgets combine both Orbis costs and costs that are managed by Orbis officers, but are specific to sovereign authorities.
- 1.21 The key areas for improvement identified were to ensure that:
- clearer information is available for budget managers who hold budgets allocated on an Orbis-wide basis;
 - the new budget monitoring tool includes commitments for non-staffing spend in order to strengthen budget managers' understanding of the overall position; and
 - a mechanism is implemented to measure the level of service provided to the constituent authorities which, in turn, will increase opportunities to demonstrate value for money being delivered to each sovereign authority.
- 1.22 Actions have been agreed with management to address these issues. Significant effort has been put into providing an integrated budget and a unified approach to budget monitoring across the Orbis partnership. With the integration of Brighton & Hove City Council budgets only coming into effect in April 2018, the combined budgets and use of the new monitoring tool are still in their infancy and it is expected that they will continue to develop and improve. A follow-up audit will be carried out in 2019/20 to ascertain that progress has been made.

Royal Pavilion and Museums – Partial Assurance

- 1.23 In January 2018 the Policy, Resources and Growth Committee (PRG) agreed the proposal to move the management of the service to a single trust in one stage rather than two stages. There was then a delay in the proposed timetable to take into account concerns raised by staff and to allow further engagement with staff and unions. During this period, Internal Audit were asked to look at some of the operational controls within the service to provide assurance that processes are operating as expected.
- 1.24 The purpose of the audit was to obtain assurance that contracts were being let in accordance with Contract Standing Orders and that budget management was robust. Also that the Council's arrangements with the Royal Pavilion & Museums Foundation were clear and fit for purpose and income collection issues previously identified by Internal Audit have been addressed.
- 1.27 The audit found a number of areas for improvement. These were:
- contracts are not always being let in accordance with the Council's Contract Standing Orders;
 - the service has a complex budget set-up and areas were identified where budget management needs to be improved;
 - there was no written Agreement between the Royal Pavilion & Museums Foundation and the Council to set out the responsibilities of each party.
 - there were no documented cash handling procedures and there were also shortfalls with the processes in place that were observed by the auditor.
- 1.28 A detailed action plan has been put in place and is being implemented by the service.

Housing Allocations – Partial Assurance

- 1.30 The council holds a stock of approximately 11,500 HRA dwellings and is required by the Housing Act 1996 to have an allocation scheme which determines priorities in allocating social housing. It is Brighton & Hove City Council's policy to operate a Choice Based Lettings scheme for those persons who the authority has a statutory duty to house, and to qualifying persons assessed as having the greatest need.
- 1.31 The objective of the audit was to provide assurance that controls are in place to meet the following expected controls:
- that an allocations scheme is in place that is in accordance with legislative requirements;
 - the processing and vetting of initial applications/registrations is made in accordance with the scheme, and addresses key fraud risks;

- the housing register is subject to maintenance and review, which periodically removes applicants should they cease to be eligible;
 - allocations are made in accordance with the allocations policy.
- 1.32 The review found that the current system (Homemove) is inefficient, with shortlisting being a manual and often lengthy exercise. This leaves the allocations process open to error, with only limited time to fulfil the Allocations Policy requirements prior to confirming an offer.
- 1.33 Specific areas for improvement were identified by the audit sample testing including:
- properties being allocated where persons may not have been eligible to be housed;
 - insufficient checks being carried out to detect problems with some applications and inadequate evidence is being maintained of the checks carried out.

Actions have been agreed with service management to strengthen controls in the service and address the issues above.

Brighton Centre – Minimal Assurance

- 1.34 An unplanned audit review was requested at the Brighton Centre because it had been identified that a group of staff had been underpaid for various shifts relating to weekend /overtime working and the taking of leave during these times. The (local IT database) system did not accurately process the data resulting in incorrect pay being calculated. For the nine staff affected the back-pay was calculated at £25,000, plus on-costs.
- 1.35 On the basis of this information an audit was agreed to obtain assurance on:
- the accurate rostering and recording of worktime;
 - the correct claiming and approving of overtime and other enhancements ;
 - the accurate calculation of pay in accordance with BHCC terms & conditions, and;
 - the effectiveness of management control/approval processes.
- 1.36 The audit identified a number of areas where controls were considered inadequate, including:
- the current system of paying enhancements for unsocial hours, overtime and other local extras is overly complex and administratively cumbersome. Problems have been compounded as a locally developed database has not worked correctly;

- the complexity of the process also means that additional hours worked are not signed by the individual, for management to check and authorise;
 - the current system relies on paper timesheets and clock-card reports and there are also a large number of manual interventions and adjustments to hours claimed. Where adjustments are made these are not always fed back to the individual employee;
 - there are staff working significant and regular amounts of overtime, and
 - there are a number of locally determined arrangements for lieu time.
- 1.37 New processes have been put in place to ensure that these issues are addressed as a matter of priority. A follow-up audit will also be scheduled to ensure that these actions have been implemented.

Brunswick Primary School – Reasonable Assurance

- 1.38 An audit of Brunswick Primary School was undertaken in accordance with the standard audit programme. This covers governance arrangements, financial planning, budget monitoring, purchasing, income and payroll. The audit also includes some limited testing on school funds and assets.
- 1.39 The review concluded reasonable assurance meaning that most controls were in place and operating as expected.
- 1.40 The areas for improvement were identified as follows:
- at the time of this audit the School was not registered with the ICO with a data controller. This was rectified immediately and the school is now compliant and able to legally collect and process data and information from families;
 - there was no formal process to reconcile school trip income, and;
 - the school does not currently undertake an annual independent check of the asset register.

St Mary Magdalen’s Primary School – Reasonable Assurance

- 1.41 An audit of St Mary Magdalen Catholic Primary School was undertaken in accordance with the standard audit programme. This covers governance arrangements, financial planning, budget monitoring, purchasing, income and payroll. The audit also includes some limited testing on school funds and assets.
- 1.42 The review concluded reasonable assurance meaning that most controls were in place and operating as expected.

1.43 The areas for improvement were identified as follows:

- the quality of financial information shared with the Full Governing Body needs to be improved;
- right to work documentation should be retained as specified by the Home Office and the Council’s own HR guidance;
- monitoring of costs relating to lettings needs to be improved, and;
- there is a need to ensure that an independent review takes place in all key financial processes of including payroll, additional payments, and bank reconciliations.

2. Counter Fraud and Investigation Activities

Proactive Counter Fraud Work

- 2.1 The Orbis IA structure came into effect from 1st April 2018. The integrated structure was designed to deliver resilience, flexibility and quality; specialisms; and sustain a strong sovereign focus.
- 2.2 A key strand of the structure was the formation of a counter fraud team that would deliver specialist fraud resource across the partnership.
- 2.3 Work to date has focussed on the following areas:

Priority	Progress to date
Reactive investigations	<p>The counter fraud team is responsible for assessing and evaluating fraud referrals received by each sovereign partner, and then leading on subsequent investigations. The team have implemented a coordinated approach to assessing and logging referrals and adopted consistent procedures for recording investigations.</p> <p>During the 6-month period to date, there have been several investigations across the partnership, some previously reported in our Quarter One progress report, which have been resourced through sovereign audit teams supported by advice and direction from the counter fraud team.</p>
NFI Exercise	<p>The biennial NFI exercise is due for submission in October 2018. The counter fraud team have taken on responsibility for the coordination and submission of datasets at each authority. The NFI Key Contacts are members of the counter fraud team to ensure a consistent approach is followed and good practice is shared across all partners.</p> <p>Results from the matching exercise are due in late January 2019 at which point the counter fraud team will liaise with partner authorities to review and investigate flagged matches.</p>
Counter Fraud Policies	Each Orbis partner has in place a counter fraud strategy that sets out

	their commitment to preventing, detecting and deterring fraud. The counter fraud team will review the sovereign strategies and align with best practice to ensure a robust and consistent approach to tackling fraud. As a priority the Anti Money Laundering policies have been reviewed and updated to reflect recent changes in legislation.
Fraud Risk Assessments	Fraud risk assessments have been consolidated to ensure that the current fraud threat has been considered and mitigating actions identified.
Fraud Response Plans	The Fraud Response Plans take into consideration the fraud risk assessments and emerging trends across the public sector and provide a proactive counter fraud programme. These are being reviewed and aligned to deliver an efficient and effective programme of work across the Orbis partners. This will include an increased emphasis on data analytics.
Fraud Awareness	The team have been rolling out a programme of fraud awareness workshops to help services identify the risk of fraud and vulnerabilities in their process and procedures. Workshops have been delivered to several teams across the partners from a mix of services.

2.4 The following areas have been identified as priorities for the second half of the year:

- Continued refresh of Fraud Risk Assessments.
- Roll out of proactive programmes and data analytics (shaped by Fraud Response Plans).
- Continue Fraud Awareness Workshops to raise awareness to risk of fraud and promote the counter fraud team.
- Launch of an Orbis-wide Fraud Survey to coincide with Fraud Awareness Week.

Summary of Completed Investigations

2.5 The outcomes at the end of quarter 2 are as follows: -

- Investigations have resulted in 13 Council properties being returned to the Council's stock making them available for people in genuine housing need. (The target for the year is 20).
- Housing Benefits overpayments totalling £10,900 have been created so far as a result of investigations.
- Council tax reduction adjustments of £6,600 have also been identified this year, together with a further £19,600 in relation to Council tax account discounts (SPD's etc.).
- 19 Cases of Blue Badge fraud have been sent for prosecution and 72 people have attended a Community Resolution at the Hove Town Hall with the Police and Blue Badge Investigator for misuse of Blue Badges.

- One Right to Buy application has been stopped following the intervention of the Counter Fraud Team.
- Two concessionary travel passes have been cancelled for the year to date.

3. Action Tracking

- 3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. As at the end of quarter 2, 85.7% of high priority actions due had been implemented.
- 3.2 The actions outstanding relate to an audit of Building and Systems Security and three actions that are overdue in Neighbourhoods, Communities and Housing. These three actions relate to an audit of the Housing Local Delivery Vehicle (Brighton & Hove Seaside Community Homes).

Details of Audit, Risk and Action	Dir.	Due date	Revised date	Progress and comments
<p>Building and Access System Controls</p> <p>IT&D to undertake a project to look at options of how to identify all system users to ensure set up, changes and removal for individuals to all systems are responsive to the business needs.</p> <p>Produce timeline and identify resources required to implement preferred option. (Rec. 5)</p>	F&R	31/8/18	30/6/19	<p>The programme is being re-set so the implementation has been delayed.</p> <p>The new project group is chaired by the Exec. Director (Finance and Resources).</p>
<p>Local Delivery Vehicle/ Brighton and Hove Seaside Community Homes (BHCSH)</p> <p><u>Funding Gap.</u> The current agreement and financial model in use is unsustainable and requires renegotiation.</p> <p>If a new agreement cannot be negotiated the Council will face an ever increasing rent gap between the amount paid over to BHSC and the amount received by the Council in the form of Housing Benefits.</p>	NCH	30/9/18	30/9/19	<p>Housing have been working with Finance on the financial modelling of changes to the agreement.</p> <p>These will also require negotiations with BHSC and may also require the Council</p>

Details of Audit, Risk and Action	Dir.	Due date	Revised date	Progress and comments
<p>Housing agreed an action to work with Seaside Homes to discuss and agree a constructive way forward. (Rec. 1)</p>				<p>to obtain legal advice.</p> <p>It is expected that this will now take up to 12 months to resolve.</p>
<p>Local Delivery Vehicle/ Brighton and Hove Seaside Community Homes</p> <p><u>Overall Financial Position.</u> The funding agreement and original financial modelling included assumptions about the cost structure of BHSCH.</p> <p>At present there is a lack of transparency over costs incurred by BHSCH and the Council is in dispute about £100,000 per year of insurance costs which are currently picked up by the Council.</p> <p>If these issues cannot be resolved there is an additional financial risk/pressure for the Council which was not allowed for in the original financial model.</p> <p>At the time of the last audit Housing agreed an action to work with Seaside Homes to discuss and agree a constructive way forward.(Rec. 2)</p>	NCH	30/9/18	30/9/19	<p>Progress to resolve this issue has been slower than anticipated and the Council has not been able to obtain additional information on the costs being incurred by BHSCH.</p> <p>The Council believes that BHSCH has the funding to be able to resolve the dispute over the payment of insurance premiums but as yet no agreement has been reached on this issue.</p> <p>It is again considered that a prompt resolution of these issues is unlikely and it may take up to 12 months to progress.</p>
<p>Local Delivery Vehicle/ Brighton and Hove Seaside Community Homes</p> <p><u>Governance arrangements.</u> The Council has three of its elected Members appointed to the Board of Seaside Homes Board but finance reports are not shared with the Council and the open and</p>	NCH	30/9/18	30/9/19	<p>Progress to resolve this issue has been slower than anticipated.</p> <p>It is again considered that a</p>

Details of Audit, Risk and Action	Dir.	Due date	Revised date	Progress and comments
<p>transparent governance arrangements expected when BHSC was set up by the Council have not materialised.</p> <p>Without this transparency the Council is unable to provide assurance that Seaside Homes delivers appropriate services within budgets that are affordable for all parties. (Rec. 3)</p>				<p>prompt resolution of these issues is unlikely and it may take up to 12 months to progress.</p>

4 Amendments to the Audit Plan

- 4.1 In accordance with proper professional practice, the internal audit plan for the year remains 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 reviews have been added to the audit plan during the last quarter:
- Highways Contract Management – this audit was requested by the Director of Economy Environment & Culture following the receipt of an allegation about poor value for money in respect of some of the current arrangements. The review is planned to focus on compliance with the existing contract arrangements with sample testing on specific jobs;
 - Orbis Budget Management – the findings of this audit are detailed in this progress report. The audit was included on the internal audit plan for East Sussex Council but not Brighton and Hove City Council. It has been reported here as it has equal relevance to this Council being an Orbis sovereign partner.
- 4.2 Through the same process, audits could either be removed or deferred from the audit plan and, where appropriate, considered for inclusion in the 2019/20 plan as part of the overall risk assessment completed during the annual audit planning process. During Quarter 2, we have taken the opportunity to review available internal audit resources for the year in light of vacancies and some long term sickness absences within the service. Whilst we are proactively managing the situation and remain confident of being able to achieve sufficient coverage to provide the annual internal audit opinion, there remains a high risk that we will be unable to deliver all of the planned audit days by 31 March 2019. In such circumstances, it is necessary to

re-prioritise our work and therefore the following audits have formally been removed from the plan:

- Waterfront project - the reason for this audit’s inclusion in the 2018/19 plan was to provide ongoing review and assurance on the Waterfront Project, focusing on specific areas of risk to be agreed with management. The planned audit will not be delivered in 2018/19. It is likely that an audit will be included in the 2019/20 plan and this will better align to the project timetable. In the interim we will continue to provide advice and support to the project as required.
- Parking Permits - this review is being removed from the 2018/19 audit plan in light of previous high levels of internal audit coverage in this area and also to enable our resources to focus on supporting the service with the re-procurement of new software through provision of advice, support and challenge when required.
- Housing Repairs Contract - this was an allocation of time set aside for the review of the existing contract and/or the procurement process for the re-letting of this contract. Now that a decision has been made to bring this service in-house audit, resources will instead be redeployed to supporting the mobilisation project for the new in-house service, and an examination of the associated risks.
- System Access Controls - the purpose of this audit was to follow-up on previous audit work and an associated corporate project to resolve control weaknesses. Given that this work is not yet complete (as highlighted in paragraph 3.2 above) the audit will be deleted from the 2018/19 audit plan. A review will be considered for inclusion in the 2019/20 audit plan.
- Learning Disabilities - the purpose of this audit was to review the controls over the provision of learning disability services for adults and was to be a joint review with Families, Children and Learning and Health and Adult Social Care. However, it has been identified that many of the objectives of this audit are being covered by another audit; Commissioning Arrangements - Joint Review. In light of this, and our having only recently finalised an audit on Learning Disabilities (Contract Management), it is felt that this review can be deleted from the 2018/19 audit plan.

5 Internal Audit Performance

5.1 In addition to the annual assessment of internal audit effectiveness against Public Sector Internal Audit Standards (PSIAS), the performance of the service is monitored on an ongoing basis against a set up agreed key performance indicators as set out in the following table:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
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Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	Approved by Audit Committee on 27 March 2018
	Annual Audit Report and Opinion	By end July	G	2018/19 Annual Report and Opinion approved by Audit Committee on 24 July 2018
	Customer Satisfaction Levels	90% satisfied	G	100% as at the end of quarter 1
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	On target. 43.6% of the plan complete as at the end of quarter 2.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	January 2018 – External assessment by the South West Audit Partnership gave an opinion of ‘Generally Conforms’ – the highest of three possible rankings
	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	A	85.7% at end of quarter 1. Details of those actions outstanding have been reported on above and will continue to be monitored by Internal Audit.
Our staff	Professionally Qualified/Accredited	80%	G	85%

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.

Audit Progress Report and Sector Update

Brighton and Hove City Council
Year ending 31 March 2019

8 January 2019



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Introduction



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This paper provides the Audit and Standards Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit and Standards Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at January 2019

2018/19 Audit

We have started planning for the 2018/19 financial statements audit, our risk assessment visit took place in mid-December 2018 and we are due to commence our interim audit in February 2018. As your new external auditor, our risk assessment and interim fieldwork visit is expected to include:

- Review, understanding and documentation of the Authority's control environment
- Understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Discussion of the overall control environment and risks of fraud with management and those charged with governance
- Review of minutes and papers from key meetings
- Early work on emerging accounting issues
- Early substantive testing.

We will issue our audit plan summarising our approach to the key risks on the audit to the March 2019 Audit and Standards Committee. We will also report any findings from the interim audit to you in our Progress Report at the March Audit and Standards Committee.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

Audit guidance for value for money working in 2018/19 has now been issued and remains consistent with prior years. The guidance confirmed the overall criterion

as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We will confirm the outcome of our risk assessment in the audit plan presented to the March Audit and Standards Committee.

Other areas

Meetings

We met with Finance Officers in November as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our Chief Accountant Workshop takes place in January and February 2019 and the key members of your Finance Team have been invited.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	March 2019	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit and Standards Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2019	Not yet due

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

CIPFA consultation – Financial Resilience Index

The Chartered Institute of Public Finance and Accountancy (CIPFA) has consulted on its plans to provide an authoritative measure of local authority financial resilience via a new index. The index, based on publically available information, will provide an assessment of the relative financial health of each English council.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector's views, CIPFA invited all interested parties to respond to questions it has put forward in the consultation by the 24 August.

The decision to develop an index is driven by CIPFA's desire to support the local government sector as it faces a continued financial challenge. The index will not be a predictive model but a diagnostic tool – designed to identify those councils displaying consistent and comparable features that will highlight good practice, but crucially, also point to areas which are associated with financial failure. The information for each council will show their relative position to other councils of the same type. Use of the index will support councils in identifying areas of weakness and enable them to take action to reduce the risk of financial failure. The index will also provide a transparent and independent analysis based on a sound evidence base.

The proposed approach draws on CIPFA's evidence of the factors associated with financial stress, including:

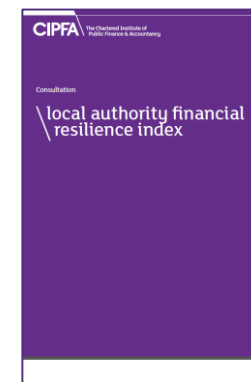
- running down reserves
- failure to plan and deliver savings in service provision
- shortening medium-term financial planning horizons.
- gaps in saving plans
- departments having unplanned overspends and/or undelivered savings.

Conversations with senior practitioners and sector experts have elicited a number of additional potential factors, including:

- the dependency on external central financing
- the proportion of non-discretionary spending – e.g. social care and capital financing - as a proportion of total expenditure
- an adverse (inadequate) judgement by Ofsted on Children's services
- changes in accounting policies (including a change by the council of their minimum revenue provision)
- poor returns on investments
- low level of confidence in financial management.

The consultation document proposes scoring six key indicators:

1. The level of total reserves excluding schools and public health as a proportion of net revenue expenditure.
2. The percentage change in reserves, excluding schools and public health, over the past three years.
3. The ratio of government grants to net revenue expenditure.
4. Proportion of net revenue expenditure accounted for by children's social care, adult social care and debt interest payments.
5. Ofsted overall rating for children's social care.
6. Auditor's VFM judgement.



MHCLG – Social Housing Green Paper

The Ministry of Housing, Communities and Local Government (MHCLG) published the Social Housing Green Paper, which seeks views on government's new vision for social housing providing safe, secure homes that help people get on with their lives.

With 4 million households living in social housing and projections for this to rise annually, it is crucial that MHCLG tackle the issues facing both residents and landlords in social housing.

The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it.

To shape this Green Paper, residents across the country were asked for their views on social housing. Almost 1,000 tenants shared their views with ministers at 14 events across the country, and over 7,000 people contributed their opinions, issues and concerns online; sharing their thoughts and ideas about social housing,

The Green Paper outlines five principles which will underpin a new, fairer deal for social housing residents:

- Tackling stigma and celebrating thriving communities
- Expanding supply and supporting home ownership
- Effective resolution of complaints
- Empowering residents and strengthening the regulator
- Ensuring homes are safe and decent

Consultation on the Green Paper is now underway, which seeks to provide everyone with an opportunity to submit views on proposals for the future of social housing and will run until 6 November 2018.

The Green Paper presents the opportunity to look afresh at the regulatory framework (which was last reviewed nearly eight years ago). Alongside this, MHCLG have published a Call for Evidence which seeks views on how the current regulatory framework is operating and will inform what regulatory changes are required to deliver regulation that is fit for purpose.

The Green Paper acknowledges that to deliver the social homes required, local authorities will need support to build by:

- allowing them to borrow
- exploring new flexibilities over how to spend Right to Buy receipts
- not requiring them to make a payment in respect of their vacant higher value council homes

As a result of concerns raised by residents, MHCLG has decided not to implement at this time the provisions in the Housing and Planning Act to make fixed term tenancies mandatory for local authority tenants.

The Green Paper is available on the MHCLG's website at:

<https://www.gov.uk/government/consultations/a-new-deal-for-social-housing>



MHCLG – Business rate pilots

The Secretary of State has invited more councils to apply for powers to retain the growth in their business rates under the new pilots. The pilots will see councils rewarded for supporting local firms and local jobs and ensure they benefit directly from the proceeds of economic growth.

From April 2019, selected pilot areas will be able to retain 75% of the growth in income raised through business rates, incentivising councils to encourage growth in business and on the high street in their areas. This will allow money to stay in communities and be spent on local priorities - including more funding to support frontline services.

This follows the success of previous waves of business rates retention pilots, launched in a wide range of areas across country in 2017 and 2018.

The current 50% business rates retention scheme is yielding strong results and in 2018 to 2019 it is estimated that local authorities will keep around £2.4 billion in business rates growth.

Findings from the new round of pilots will help the government understand how local authorities can smoothly transition into the proposed system in 2020.

Proposals will need to show how local authorities would 'pool' their business rates and work collaboratively to promote financial sustainability, growth or a combination of these.

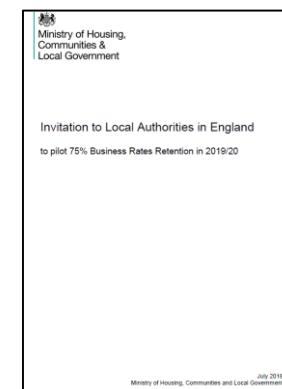
Alongside the pilots, the government will continue to work with local authorities, the Local Government Association, and others on reform options that give local authorities more control over the money they raise and are sustainable in the long term.

The invitation is addressed to all authorities in England, excluding those with ongoing business rates retention pilots in devolution areas and London. Due to affordability constraints, it may be necessary to assess applications against selection criteria, which will include:

- Proposed pooling arrangements operate across a functional economic area
- Proposal demonstrates how pooled income from growth will be used across the pilot area to either boost further growth, promote financial sustainability or a combination of these
- Proposal sets out robust governance arrangements for strategic decision-making around management of risk and reward and outlines how these support the participating authorities' proposed pooling arrangements

Any proposals will need to show that all participating authorities have agreed to become part of the suggested pool and share additional growth as outlined in the bid. The Section 151 officer of each authority will need to sign off the proposal before submission.

Proposal for new pilots must be received the MHCLG by midnight on Tuesday 25th September 2018.



Institute of Fiscal Studies: Impact of ‘Fair Funding Review’

The IFS has published a paper that focuses on the issues arising in assessing the spending needs of different councils. The government’s ‘Fair Funding Review’ is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils’ differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based.

Accounting for councils’ spending needs

The IFS note that the Review is seeking a less subjective and more transparent approach which is focused on the relationship between spending and needs indicators. However, like any funding system, there will be limitations, for example, any attempt to assess needs will be affected by the MHCLG’s funding policies adopted in the year of data used to estimate the spending needs formula. A key consideration will be the inherently subjective nature of ‘spending needs’ and ‘needs indicators’, and how this will be dealt with under any new funding approach. Whilst no assessment of spending needs can be truly objective, the IFS state it can and should be evidence based.

The IFS also note that transparency will be critical, particularly in relation to the impact that different choices will have for different councils, such as the year of data used and the needs indicators selected. These differentiating factors and their consequences will need to be understood and debated.

Accounting for councils’ revenues

The biggest source of locally-raised revenue for councils is and will continue to be council tax. However, there is significant variation between councils in the amount of council tax raised per person. The IFS identify that a key decision for the Fair Funding Review is the extent to which tax bases or actual revenues should be used for determining funding levels going forward.

Councils also raise significant sums of money from levying fees and charges, although this varies dramatically across the country. The IFS note that it is difficult to take account of these differences in a new funding system as there is no well-defined measure of revenue raising capacity from sales, fees and charges, unlike council tax where the tax base can be used.

The overall system: redistribution, incentives and transparency

The IFS also identify that an important policy decision for the new system is the extent to which it prioritises redistribution between councils, compared to financial incentives for councils to improve their own socio-economic lot. A system that fully and immediately equalises for differences in assessed spending needs and revenue-raising capacity will help ensure different councils can provide similar standards of public services. However, it would provide little financial incentive for councils to tackle the drivers of spending needs and boost local economics and tax bases.

Further detail on the impact of the fair funding review can be found in the full report <https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>.



National Audit Office – The health and social care interface

The NAO has published its latest ‘think piece on the barriers that prevent health and social care services working together effectively, examples of joint working in a ‘whole system’ sense and the move towards services centred on the needs of the individual. The report aims to inform the ongoing debate about the future of health and social care in England. It anticipates the upcoming green paper on the future funding of adult social care, and the planned 2019 Spending Review, which will set out the funding needs of both local government and the NHS.

The report discusses 16 challenges to improved joint working. It also highlights some of the work being carried out nationally and locally to overcome these challenges and the progress that has been made. The NAO draw out the risks presented by inherent differences between the health and social care systems and how national and local bodies are managing these.

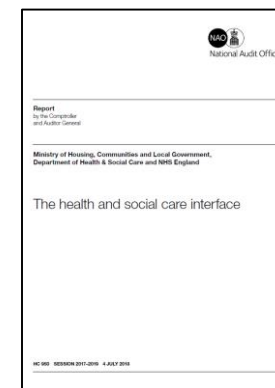
Financial challenges – include financial pressures, future funding uncertainties, focus on short-term funding issues in the acute sector, the accountability of individual organisations to balance the books, and differing eligibility criteria for access to health and social care services.

Culture and structure – include organisational boundaries impacting on service management and regulation, poor understanding between the NHS and local government of their respective decision-making frameworks, complex governance arrangements hindering decision-making, problems with local leadership holding back improvements or de-stabilising joint working, a lack of co-terminus geographic areas over which health and local government services are planned and delivered, problems with sharing data across health and social care, and difficulties developing person-centred care.

Strategic issues – include differences in national influence and status contributing to social care not being as well represented as the NHS, strategic misalignment of organisations across local systems inhibiting joint local planning, and central government’s unrealistic expectations of the pace at which the required change in working practices can progress..

This ‘think piece’ draws on the NAO’s past work and draws on recent research and reviews by other organisations, most notably the Care Quality Commission’s review of health and social care systems in 20 local authority areas, which it carried out between August 2017 and May 2018. The NAO note that there is a lot of good work being done nationally and locally to overcome the barriers to joint working, but often this is not happening at the scale and pace needed.

The report is available to download from the NAO’s website at:
<https://www.nao.org.uk/report/the-health-and-social-care-interface/>



A Caring Society – bringing together innovative thinking, people and practice

The Adult Social Care sector is at a crossroads. We have yet to find a sustainable system of care that is truly fit for purpose and for people. Our Caring Society programme takes a step back and creates a space to think, explore new ideas and draw on the most powerful and fresh influences we can find, as well as accelerate the innovative social care work already taking place.

We are bringing together a community of influencers, academics, investors, private care providers, charities and social housing providers and individuals who are committed to shaping the future of adult social care.

At the heart of the community are adult social care directors and this programme aims to provide them with space to think about, and design, a care system that meets the needs of the 21st Century, taking into account ethics, technology, governance and funding.

We are doing this by:

- hosting a 'scoping sprint' to determine the specific themes we should focus on
- running three sprints focused on the themes affecting the future of care provision
- publishing a series of articles drawing on opinion, innovative best practices and research to stimulate fresh thinking.

Our aim is to reach a consensus, that transcends party politics, about what future care should be for the good of society and for the individual. This will be presented to directors of adult social care in Spring 2019, to decide how to take forward the resulting recommendations and policy changes.

Scoping Sprint

This took place in October. Following opening remarks by Hilary Cottam (social entrepreneur and author of Radical Help) and Cllr Georgia Gould (Leader of Camden Council), the subsequent discussion brought many perspectives but there was a strong agreement about the need to do things differently that would create and support a caring society. Grant Thornton will now take forward further discussions around three particular themes:

1. Ethics and philosophy: What is meant by care? Should the state love?
2. Care in a place: Where should the power lie? How are local power relationships different in a local place?
3. Promoting and upscaling effective programmes and innovation

Sprint 1 – What do we really mean by 'care'?

This will take place on 4 December. Julia Unwin, Chair of the Civil Societies Futures Project, former CEO of the Joseph Rowntree Association and author on kindness will provide her insight to spark the debate on what we really mean by 'care'

Find out more and get involved

- To read the sprint write-ups and opinion pieces visit: grantthornton.co.uk/acaringsociety
- Join the conversation at #acaringsociety

Care Homes for the Elderly – Where are we now?

It is a pivotal moment for the UK care homes market. In the next few months the government is to reveal the contents of its much-vaunted plans for the long-term funding of care for older people.

Our latest Grant Thornton report draws together the most recent and relevant research, including our own sizeable market knowledge and expertise, to determine where the sector is now and understand where it is heading in the future. We have spoken to investors, providers and market consultants to showcase the diversity and innovation that care homes can offer.

Flourishing communities are not a 'nice to have' but an essential part of our purpose of shaping a vibrant economy. Growth simply cannot happen sustainably if business is disconnected from society. That is why social care needs a positive growth framing. Far from being a burden, the sector employs more people than the NHS, is a crucible for technological innovation, and is a vital connector in community life. We need to think about social care as an asset and invest and nurture it accordingly.

There are opportunities to further invest to create innovative solutions that deliver improved tailored care packages to meet the needs of our ageing population.

The report considers a number of aspects in the social care agenda

- market structure, sustainability, quality and evolution
- future funding changes and the political agenda
- the investment, capital and financing landscape
- new funds and methods of finance
- future outlook.

The decline in the number of public-sector focused care home beds is a trend that looks set to continue in the medium-term. However, it cannot continue indefinitely as Grant Thornton's research points to a significant rise in demand for elderly care beds over the coming decade and beyond.

A strategic approach will also be needed to recruit and retain the large number of workers needed to care for the ageing population in the future. Efforts have already begun through education programmes such as Skills for Care's 'Care Ambassadors' to promote social care as an attractive profession. But with the number of nurses falling across the NHS as well, the Government will need to address the current crisis.

But the most important conversation that needs to be had is with the public around what kind of care services they would like to have and, crucially, how much they would be prepared to pay for them. Most solutions for sustainable funding for social care point towards increased taxation, which will generate significant political and public debate. With Brexit dominating the political agenda, and the government holding a precarious position in Parliament, shorter-term funding interventions by government over the medium-term look more likely than a root-and-branch reform of the current system. The sector, however, needs to know what choices politicians, and society as a whole, are prepared to make in order to plan for the future.

Copies of our report can be requested on our website



The Vibrant Economy Index

a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website (www.granthornton.co.uk) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy**.

Vibrant Economy app

To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

To download the app visit your app store and search 'Vibrant Economy'

- Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)
- Explore the app and take the quiz
- Go to the Vibrant Ideas section to share your picture and story or idea



Supply Chain Insights tool helps support supply chain assurance in public services

Grant Thornton UK LLP has launched a new insights and benchmarking platform to support supply chain assurance and competitor intelligence in public services.

The Supply Chain Insights service is designed for use by financial directors and procurement professionals in the public sector, and market leaders in private sector suppliers to the public sector. It provides users with a detailed picture of contract value and spend with their supply chain members across the public sector. The analysis also provides a robust and granular view on the viability, sustainability, market position and coverage of their key suppliers and competitors.

The platform is built on aggregated data from 96 million invoices and covers £0.5 trillion of spending. The data is supplemented with financial standing data and indicators to give a fully rounded view. The service is supported by a dedicated team of analysts and is available to access directly as an on-line platform.

Phillip Woolley, Partner, Grant Thornton UK LLP, said:

"The fall-out from the recent failure of Carillion has highlighted the urgent need for robust and ongoing supply chain monitoring and assurance. Supply Chain Insights provides a clear picture of your suppliers' activities across the sector, allowing you to understand risks, capacity and track-record. We think it's an indispensable resource in today's supplier market."



The tool enables you to immediately:

- access over 96 million transactions that are continually added to
- segment invoices by:
 - organisation and category
 - service provider
 - date at a monthly level
- benchmark your spend against your peers
- identify:
 - organisations buying similar services
 - differences in pricing
 - the leading supplier
- see how important each buyer is to a supplier
- benchmark public sector organisations' spend on a consistent basis
- see how much public sector organisations spend with different suppliers

Supply Chain Insights forms part of the Grant Thornton Public Sector Insight Studio portfolio of analytics platforms.

Click on Supply Chain Insights for more information.

Supply Chain Insights

In good company: Latest trends in local authority trading companies

Our recent report looks at trends in LATC's (Local Government Authority Trading Companies). These deliver a wide range of services across the country and range from wholly owned companies to joint ventures, all within the public and private sector.

Outsourcing versus local authority trading companies

The rise of trading companies is, in part, due to the decline in popularity of outsourcing. The majority of outsourced contracts operate successfully, and continue to deliver significant savings. But recent high profile failures, problems with inflexible contracts and poor contract management mean that outsourcing has fallen out of favour. The days of large scale outsourcing of council services has gone.

Advantages of local authority trading companies

- Authorities can keep direct control over their providers
- Opportunities for any profits to be returned to the council
- Provides suitable opportunity to change the local authority terms and conditions, particularly with regard to pensions, can also bring significant reductions in the cost base of the service
- Having a separate company allows the authority to move away from the constraints of the councils decision making processes, becoming more agile and responsive to changes in demand or funding
- Wider powers to trade through the Localism act provide the company with the opportunity to win contracts elsewhere

Choosing the right company model

The most common company models adopted by councils are:

Wholly
owned

Joint
Ventures

Social
Enterprise

Wholly owned companies are common because they allow local authorities to retain the risk and reward. And governance is less complicated. Direct labour organisations such as Cormac and Oxford Direct Services have both transferred out in this way.

JVs have become increasingly popular as a means of leveraging growth. Pioneered by Norse, Corserv and Vertas organisations are developing the model. Alternatively, if there is a social motive rather than a profit one, the social enterprise model is the best option, as it can enable access to grant funding to drive growth.

Getting it right through effective governance

While there are pitfalls in establishing these companies, those that have got it right are: seizing the advantages of a more commercial mind-set, generating revenue, driving efficiencies and improving the quality of services. By developing effective governance they can be more flexible and grow business without micromanagement from the council.

LATC's need to adapt for the future

- LATC's must adapt to developments in the external environment
 - These include possible changes to the public procurement rules after Brexit and new local authority structures. Also responding to an increasingly crowded and competitive market where there could be more mergers and insolvencies.
- Authorities need to be open to different ways of doing things, driving further developments of new trading companies. Relieving pressures on councils to find the most efficient ways of doing more with less in today's austere climate.

Overall, joint ventures can be a viable alternative delivery model for local authorities. Our research indicates that the numbers of joint ventures will continue to rise, and in particular we expect to see others follow examples of successful public-public partnerships.



[Download the report here](#)

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<https://www.grantthornton.co.uk/en/insights/a-caring-society/>

<https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/>

<https://www.grantthornton.co.uk/en/insights/the-rise-of-local-authority-trading-companies/>

National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>



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Subject:	Standards Update		
Date of Meeting:	8th January 2019		
Report of:	Monitoring Officer		
Contact Officer:	Name:	Abraham Ghebre-Ghiorghis	Tel: 29-1500
	Email:	Abraham.ghebre-ghiorghis@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1 PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 This report seeks to update Members on Standards-related matters relevant to the Committee's remit.

2 RECOMMENDATIONS

- 2.1 That the Audit & Standards Committee note the information provided in the report on member complaints and on standards-related matters.

3 MEMBER-RELATED COMPLAINTS**Complaints resolved since last Report**

- 3.1 The complaint referred to as 'complaint no 5' in the last update report has now been resolved informally, by a decision to take no further action.
- 3.2 That complaint process had to be suspended for a period of time for reasons outside the Council's control. Once it could be progressed, it was reviewed by both the Monitoring Officer and the council's Independent Person. They each reached the same view, namely that the conduct which was the subject of the complaint occurred when the relevant councillor was neither engaged in council business nor otherwise acting in their capacity as an elected member. As a result, it was not considered that the alleged conduct was capable of amounting to a breach of the Code and the complaint was determined accordingly, by a decision to take no further action.
- 3.3 Two other complaints were reported as outstanding in the last update report. The first of those alleged disrespectful conduct and further information was sought from the complainant in order to progress that complaint. Despite every opportunity being afforded to that individual no response was received. As a result, a decision was made to take no further action in relation to it.
- 3.4 The existence of a third outstanding complaint was noted in the last report. The detail of the allegations made merited a considered review. In this instance, the Independent Person indicated that detailed preliminary information would potentially be helpful to assist in the matter being reviewed at initial assessment stage. That process involved clarificatory information being sought from both the complainant and the member concerned. Having reviewed that information, the

Monitoring Officer concurred with the Independent Person that the evidence which the complainant described did not substantiate the complaints which were made. As a result it was not considered that if proven, the complaint would amount to a breach of the Code of Conduct for Members and it was moreover not considered to be in public interest to refer it for formal investigation.

3.5 The parties in all of the above matters have been notified of the outcome.

Complaints awaiting resolution

3.6 Three new complaints regarding member conduct have been received in since the last Update Report, one of which alleges misconduct by two members of the same political Group. Those complaints are each being individually progressed in accordance with the Council's Procedures, and the parties involved are being kept informed. This Committee will be kept informed of progress in relation to these outstanding complaints via the regular Update reports.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 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. The current arrangements and the proposals in this report reflect this. No alternative proposals are suggested.

5 COMMUNITY ENGAGEMENT & CONSULTATION

5.1 No requirement to consult with the local community has been identified.

6 CONCLUSION

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

7 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 There are no additional financial implications arising from the recommendation in this report. All activity referred to has been and can be met from existing budgets and resources.

Finance Officer Consulted: Nigel Manvell

Date: 06/12/18

Legal Implications:

7.2 These are covered in the body of the report.

Lawyer Consulted: Victoria Simpson

Date: 19/12/18

Equalities Implications:

7.3 There are no equalities implications arising from this report.

Sustainability Implications:

7.4 There are no sustainability implications arising from this report.

Any Other Significant Implications:

7.5 None.

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms:

None

Background Documents:

None

Subject:	Review of the Code of Conduct for Members		
Date of Meeting:	8th January 2019		
Report of:	Monitoring Officer		
Contact Officer:	Name:	Abraham Ghebre-Ghiorghis	Tel: 29-1500
	Email:	Abraham.ghebre-ghiorghis@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 This report is made pursuant to a recommendation of the Policy Resources and Growth Committee made on 6 December 2018, following consideration of the actions taken by the Council in response to a Notice of Motion presented in April 2018.
- 1.2 While the Report to Policy, Resources and Growth Committee made a number of recommendations, this Committee's attention is drawn specifically to the recommendation that the Council's Code of Conduct for Members be amended.

2. RECOMMENDATIONS

That this Committee ask an informally constituted cross-party group of members to generate proposed revisions to the Code of Conduct for Members for a future meeting of this Committee to consider. If those meet with this Committee's approval, then they may be recommended for full Council approval.

3. BACKGROUND INFORMATION

- 3.1 The Report 'Does Local Government Work for Women?' was published in July 2017 by the Fawcett Society in conjunction with the Local Government Information Unit. The culmination of a year-long study into the challenges facing women in local government, it made a number of recommendations.
- 3.2 The Notice of Motion presented to full Council on 19 April 2018 requested amongst other things that 'the Audit & Standards Committee consider adding sexual harassment and sex discrimination policies to the Code of Conduct.'
- 3.3 Following the passing of the above motion, steps were taken to incorporate a number of the recommendations made by the Fawcett Society's Report which were relevant to local authorities. The above-mentioned Report to the Policy Resources & Growth Committee detailed the council's response which involved amongst other things petitioning the Government and referring other topics for further discussion.

- 3.4 The recommendation in the Notice of Motion highlighted at para 3.2 above was the subject of the following comment in the Report to Policy Resources and Growth Committee:

‘The Fawcett report recommended that Councils be clear in Codes of Conduct that Councillor behaviour is governed by the prohibition of sex discrimination in the Equality Act 2010 and that there should be a requirement for Councillors to promote equality in their actions and behaviour. A report will be submitted for the Audit & Standards Committee in January with recommendations.’

4. **SEX DISCRIMINATION AND THE COUNCIL’S CODE OF CONDUCT FOR MEMBERS**

- 4.1 The Equality Act 2010 provides amongst other things that a person must not be discriminated against because:
- they are (or are not) a particular sex
 - someone thinks they are the opposite sex (discrimination by perception)
 - they are connected to someone of a particular sex (this is known as discrimination by association)

In the Equality Act, sex may mean either male or female. It may describe a group of people like men or boys, or women or girls.

- 4.2 There are four main types of sex discrimination: direct discrimination, indirect discrimination, harassment and victimisation. Conduct amounting to sex discrimination may occur in a range of situations, and has potential to give rise to criminal prosecution.
- 4.3 The Code of Conduct as currently drafted requires members to maintain high standards of conduct, and to comply with the seven principles of public life. The Code places a specific requirement on members of the Council to act respectfully and specifically prohibits them from acting either in a way which could reasonably be regarded as bringing their office or authority into disrepute, or (amongst other things) in a way which is bullying or intimidatory.
- 4.4 Although the requirement that members do not cause the Council to breach its equalities duties is made explicit in the Code, the requirement that members do not act in such a way as to breach the provisions of the Equalities Act 2010 themselves is not made explicit. Although it is likely that a member who committed sex discrimination would be found to have breached the Code, there is no specific reference to sex discrimination in the Code currently.
- 4.5 It is suggested that an informally constituted cross party working group of members of this Committee may be asked to suggest draft revisions to the Code and relevant related documents. It is proposed that a Report will be brought back to this Committee asking it to recommend any such changes for approval, this in accordance with the requirements of the Council’s Constitution.

5. **ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 5.1 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. The current arrangements and the proposals in this Report reflect this. No alternative proposals are suggested.

6. COMMUNITY ENGAGEMENT & CONSULTATION

- 6.1 No need to consult with the local community has been identified.

7. CONCLUSION

- 7.1 Members are asked to review the proposals in this Report, which aims to assist the Committee in discharging its responsibilities for overseeing that high standards of conduct are maintained by Members.

8. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 8.1 There are no additional financial implications arising from the recommendation in this report. All activity referred to has been and can be, met from existing budgets and resources.

Finance Officer Consulted: Nigel Manvell

Date: 06/12/18

Legal Implications:

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

Lawyer Consulted: Victoria Simpson

Date: 19/12/18

Equalities Implications:

- 10.3 There are no equalities implications arising from this Report

Sustainability Implications:

- 10.4 There are no sustainability implications arising from this Report

Any Other Significant Implications:

- 10.5 None

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms:

None

Background Documents:

Fawcett Society, Does Local Government Work for Women? Final report of the Local Government Commission, July 2017

Subject:	Oversight and Co-ordination of Key Council Plans and Strategies		
Date of Meeting:	08 January 2019		
Report of:	Executive Lead, Strategy, Governance & Law		
Contact Officer:	Name:	Simon Newell	Tel: 01273 291128
	Email:	Simon.newell@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 Brighton & Hove City Council seeks to deliver its high level strategic aims via a set of key plans and strategies. This report details how the council manages risks associated with the planning and implementation of key plans and strategies in accordance with the requirements of the Corporate Risk Assurance Framework.

2. RECOMMENDATIONS:

- 2.1 That members note the information included in this report.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Local authorities are legally required to produce and maintain certain plans and strategies. A number of these are reserved by statute for Full Council. In addition to the plans and strategies that are the statutory responsibility of Full Council, Brighton & Hove Council has also opted to reserve for itself certain other key documents. Together these plans form the Council's Policy Framework.

- 3.2 The current Policy Framework consists of the following plans and strategies:

(i) those required by law to be adopted by Full Council

- Annual Investment Strategy;
- Statement of Pay Policy;
- Libraries Plan;
- Crime and Disorder Reduction Strategy;
- Local Transport Plan;
- Plans with Development Plan Document status;
- Youth Justice Plan;
- Statement of Licensing Policy under the Licensing Act 2003;
- Statement of Gambling Policy under the Gambling Act 2005.

(ii) those which the Council has determined should be adopted by Full Council as part of the Policy Framework:

- Sustainability Strategy (*or the successor to this strategy*);
- Sustainable Community Strategy
- Corporate Plan;
- Equality and Inclusion Policy;
- City Performance Plan
- Strategy for Gypsies, Roma and Travellers
- Housing Strategy
- The Council's Economic Strategy
- Statement of Pay Policy
- School Admission Arrangements*

* For the purposes of the policy framework, "School Admission Arrangements" means:

- the School Organisation Plan; and
 - any strategic issues or reviews of the council's school admission arrangements, including any changes to catchment areas.
- (BHCC Constitution: Part 3.02)

- 3.3 The Council is required to formally approve the documents listed in part (i) of the Policy Framework. However it is free to determine the contents of part (ii) and would in any event be expected to periodically review that part to ensure that its contents reflect the Council's current priorities, and its preferred approach to discharging its functions in a context where some discretion exists. Such a review could be commissioned following the May 2019 local elections, although this will be for the new Council to determine.
- 3.4 In general, the Policy Framework should be expected to mirror the Council's key plans and strategies. However, this will not always be the case because:
- (a) Some plans and strategies are the statutory responsibility of local authority bodies other than Full Council: e.g. the Health & Wellbeing Board is jointly responsible with local NHS commissioners for a Joint Health & Wellbeing Strategy (JHWS). The JHWS is certainly a key strategic document, but it cannot be reserved for Full Council and therefore does not formally constitute part of the Council's Policy Framework.
 - (b) Whilst the aim should always be for the Policy Framework to mirror the Council's strategic priorities, emerging or changing priorities means that there is inevitably a lag between the two. As it forms part of the Council's Constitution, the Policy Framework is updated only periodically.
 - (c) The Council may prefer to assign responsibility for certain key plans and strategies to specific Policy Committees rather than Full Council.
- 3.5 In light of para 3.4, the Council's key plans and strategies are best defined as the Policy Framework plus other key documents. The Policy, Partnerships & Scrutiny team (PPS) works with each of the council's directorates to identify key directorate policies and strategies, including but not limited to documents that form part of the Policy Framework. These are captured via 'directorate Policy Grids' and the grids aggregated to produce a corporate Policy Grid. The Policy Grid therefore represents the organisation's current list of key plans and strategies.

- 3.6 The Policy Grid captures essential information on each plan and strategy, including:
- The objectives of the plan/strategy
 - The departments, lead members, lead officers (and potentially partners) responsible for the plan/strategy
 - The methodology underpinning the creation of the plan/strategy
 - The committee(s) and partnerships which own the plan/strategy
 - The refresh date of the plan/strategy (where applicable)
 - What monitoring arrangements are in place with regard to implementation of the plan/strategy.
- 3.6 PPS works closely with Directorate Management Teams (DMT) to ensure that each directorate fulfils its commitments in terms of developing or refreshing its key plans and strategies. This includes making sure that all new plans support the high level strategic goals set out in the Corporate Strategy, the Sustainable Communities Strategy, and any other relevant overarching strategies.
- 3.7 The corporate Policy Grid is regularly reviewed by the Executive Leadership Team (ELT) The Policy Grid is also used to inform the Council's Critical Path, the timeline of key events and decisions that underpins corporate strategic planning.
- 3.8 Individual plans and strategies may include key performance indicators (kpis). Performance against these indicators is monitored by the relevant directorates and ELT with support from the BHCC Performance Improvement & Programmes (PIP) service. Internal Audit may also choose to assess the implementation or the effectiveness of key policies, plans and strategies. Performance is reported to members via the relevant Policy Committee(s) with corporate oversight of KPIs by the Policy, Resources & Growth Committee.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Not relevant to this report for information which details current arrangements rather than proposing service change.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 None to this report which concentrates on the council's internal procedures.

6. CONCLUSION

- 6.1 Development, maintenance and refreshing of the Council's key plans and strategies is undertaken by BHCC directorates, supported by the PPS team, working on instruction from Full Council and/or the Council's Policy Committees.
- 6.2 The implementation and performance of key plans and strategies is monitored by the directorates supported by the PIP team and by Internal Audit.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications

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

Finance Officer Consulted: Name Peter Francis

Date: 03/0918

Legal Implications:

7.2 There are no legal implications arising from this report.

Lawyer Consulted: Victoria Simpson

Date: 10.09.18

Equalities Implications:

7.3 Equalities issues will be considered as part of the development of all key plans and strategies. The Council has included the Equality & Inclusion Policy in the Policy Framework

Sustainability Implications:

7.4 None directly, but members may wish to note that the Sustainability Strategy and any successor plans are included in the Council's Policy Framework

Any Other Significant Implications:

7.5 None identified

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms

None

Background Documents

None

Subject:	Cash Collection - Company Administration Update		
Date of Meeting:	8 January 2019		
Report of:	Executive Director, Finance & Resources		
Contact Officer:	Name:	Nigel Manvell	Tel: 29-3104
	Email:	nigel.manvell@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1 SUMMARY AND POLICY CONTEXT:**

- 1.1 Previous reports regarding the insolvency of the council's former security carrier provider, Coin Co International Plc (CCI), advised that updates would be given to the Audit & Standards Committee regarding the progress of the Company Administration process as appropriate. CCI went into administration in November 2014 and this report provides a further update following the ending of the company administration process and publication of the Administrators' final report. It also covers the next stage of the process and the council's options.

2 RECOMMENDATIONS:

- 2.1 That the Audit & Standards Committee note the report.

3 CONTEXT/BACKGROUND INFORMATION**Brief Synopsis (as previously reported):**

- 3.1 In 2014, the council's contractor for providing cash collection services, Coin Co International Plc ('CCI'), entered into administration owing the council £3.243m. The company, locally based in Burgess Hill, had been in operation for over 30 years and had been the council's security carrier provider for over 5 years from 2008. CCI's contract required payment-over of cash and coin collected from many council establishments and parking machines within 10 banking days.
- 3.2 A number of delays in payments over to the council were experienced in 2012/13 and CCI were accordingly requested to improve performance. CCI notified the council that they had changed banks and were experiencing processing difficulties with a new system. However, delays lengthened to an unacceptable level in early 2014 and the council again took steps with the contractor to improve performance.
- 3.3 Requested improvements included clearing payment backlogs quickly and demanding payment over of all sums owing to the council within an agreed period. Backlog payments were made and received on arrangement for a short period but then performance and payment delays again became unacceptable. CCI advised that these delays were related to short term cash flow issues caused by continuing banking issues, a dispute with a creditor, and a substantial outstanding VAT claim. These were not accepted by the council and, following formal legal exchanges, CCI were given notice with the contract terminating in August 2014.

- 3.4 The council continued to seek recovery of all sums owing at the point of termination but CCI subsequently went into administration in November 2014 owing the council £3.243m and a total of over £10m to all creditors. It is now clear that during 2014 other smaller creditors had also given notice, presumably due to similar performance concerns, and this ultimately resulted in the company's insolvency.
- 3.5 During the period of performance concerns there were constant communications between officers and the company's directors, including site visits. Following termination of the contract, the council (and other major creditors) instructed CCI to provide them with independent reports concerning its financial health and its processing operations and seeking assurances over the recovery of sums owing. The report provided to the council gave a negative outlook and very shortly afterward, CCI went into administration.
- 3.6 The provider was collecting between £200,000 and £300,000 per week and therefore sums collected built up quickly and the security carrier would therefore legitimately be holding between £400,000 and £600,000, under the terms of the contract, before payment over to the council. Security Carrier contractors operate in this way because they are handling cash for many organisations and can negotiate very favourable banking terms as well as providing trained and accredited security staff, appropriately modified vehicles and secure bullion facilities and premises (in CCI's case, based in Burgess Hill). The terms of the contract with CCI were therefore in common with most security carrier contracts for large public or private sector clients.
- 3.7 Following insolvency, insolvency practitioners from Baker Tilley Restructuring & Recovery LLP were appointed Administrators (now renamed RSM Restructuring Advisory LLP) and their initial report into the CCI insolvency (June 2015) did not provide unsecured creditors with any assurance that significant sums would be realisable on their behalf. The implications of CCI's insolvency were therefore reported to Policy & Resources Committee in June 2015 (TBM Provisional Outturn 2014/15, Agenda Item 8) and the committee were advised that under the council's approved accounting policies, full provision for the potential loss would need to be made in the 2014/15 accounts. This was a one-off provision of £3.243m which the council was able to meet through prudential financial management without any direct impact on council services or earmarked reserves.

End of Company Administration – Final Report:

- 3.8 The company administration process was extended many times by the courts upon application from the Administrators. This was to allow them to continue attempted recoveries abroad, particularly Australia and Tunisia, and to take legal action against the directors. Having concluded these actions as far as possible, no further extension has been applied for and the company administration process concluded on 25 November 2018. The Administrators filed their final report on 15 November 2018.
- 3.9 Incorporating all previous updates, the overall summary of actions taken and recoveries made by the Administrators over the 4-year period 27 November 2014 to 15 November 2018 were as follows:
 - i) In accordance with their statutory obligations, the Administrators filed the appropriate documentation with the Department for Business, Energy and Industrial Strategy ("the Department") in relation to the conduct of the directors of CCI. The Secretary of State duly accepted disqualification

undertakings from John Francis Baker, Doreen May Baker, Sean Douglas Baker and Joanne Samantha Baker for periods of 8 years each. This disqualified them from being directors of companies as of 3 May 2018.

- ii) The Administrators also took up legal proceedings for breach of duty against the Directors of the company and achieved a settlement of £0.550m. The detailed grounds for this legal action are not known and are not disclosable.
- iii) The Administrators made a number of recoveries of stocks and cash as well as selling CCI's premises. These realised a total of £2.080m.
- iv) However, after taking into account the cost of bringing about the actions and realisations above, including legal fees, settlement of VAT and other liabilities and the Administrator's costs, there remained insufficient net realisations to meet the sums owing to the secured creditor, Santander UK Plc. The secured creditor was owed £1.628million but has received £1.296m in settlement to date.
- v) The Administrators undertook a number of investigations relating to CCI's accounts and operations. Although the information provided in their reports is limited, in summary they found evidence that the company appeared to have utilised clients' cash to manage the cash flows of the business enabling it to continue trading while making losses. Having analysed their accounts and bank statements, the Administrators' evidence indicates that CCI's business model (contract pricing) was flawed and that this is the principle reason, rather than any detected fraud, as to why it eventually became insolvent and was probably trading at a loss for some time prior to entering into administration.

3.10 The Administrators' final report confirms, as they have throughout, that it is uncertain that there will be sufficient asset realisations (after the costs of the administration) to enable a distribution to unsecured creditors of which the council is the largest among many others. In particular, it should be noted that the Secured Creditor is still owed £0.333m and the Administrators have unpaid costs of at least £0.270m.

Company Voluntary Liquidation

3.11 With the ending of the administration period, the Company was placed into Creditors Voluntary Liquidation on 30 November 2018, with the current Administrators being appointed Liquidators (by default). Prior to this, the Administrators had indicated that their intention was to convene a meeting of creditors so that the creditors could consider a replacement liquidator.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 Administration and Company Voluntary Liquidation (CVL) are both legal processes covered by the Insolvency Act 1986. A CVL is used to bring a business to an end by appointing a liquidator (who must be a licensed insolvency practitioner) to liquidate the company's assets (if any) and distribute them between the company's creditors following set rules. The Administrators' reports show that all the Company's assets which are likely to be realisable have now been realised. This process has taken an unusually long time due to legal complexities and recoveries being attempted from other countries, with the Administration period having been extended to cover a period of 4 years in total.

4.2 However, there are potential options for liquidators to consider, if desired, in terms of pursuing claims against the directors and/or attempting other potential

recoveries as part of company liquidation but none are without considerable risk. In this respect, at its meeting on 24 July 2018 the committee approved the following recommendation: 'That the Committee support bringing a claim by the council against the Directors of CCI for wrongful trading, and/or their auditors once due consideration of the legal and financial risks have been considered by officers.' These options and others are considered and evaluated below.

4.3 Appointment of Alternative Liquidators

The Authority holds over 10% of the unsecured debt by value. The option is open to the Authority to summon a meeting of creditors to seek the appointment of a replacement or alternative liquidator to take up further potential investigations or claims. This would also of course be dependent on any liquidator being willing to take up the case based on the likely success of any claims or recoveries and therefore the likelihood of covering their costs and fees. Potential claims that liquidators could consider are discussed later.

Evaluation: There is a risk that replacing the current liquidators would result in a significant loss of knowledge and understanding of how the Company's business operated and the steps taken to attempt recoveries while the Company was in administration. Funding is also an issue as an incoming liquidator will be aware of the former Administrators' outstanding fees and would be unlikely to take the appointment as Liquidator unless they were confident their fees would be covered. They will be aware of the settlement and other costs already recovered and incurred by the Directors and the impact this is likely to have on further settlement, and as licensed practitioners will be fully aware of concerns about the viability of bringing a successful wrongful trading claim in the courts (see below). In short, no liquidator will take up the appointment without the unsecured creditors underwriting their costs. It is unlikely that the council would be able to secure support from other creditors in this regard (none have requested a creditors meeting to date) and the council may therefore end up carrying all of the risk.

4.4 Claim for Wrongful Trading against the Directors

The Administrators' investigations and evidence indicated that there may be grounds for a claim of wrongful trading to be brought against the directors now the Company is in liquidation. Their reports provided evidence that the Company may have been trading insolvent in 2011 and possibly earlier and suggests that their business model and pricing strategy were flawed. The re-procurement of the contract following CCI's collapse provided some evidence that CCI's pricing was out of step with the market with the re-procured contract coming in at approximately double the price.

Evaluation: There are serious concerns about the chances of success of such a claim. As noted above, the Administrators brought a claim for breach of duty against the former directors which, significantly, may also preclude bringing a claim for wrongful trading. Officers have also been advised that recent decisions in wrongful trading cases have not favoured office holders (i.e. liquidators). As a minimum, this will require counsel's opinion to determine whether or not a claim could even be brought in the first instance. In addition, even if a claim for wrongful trading against the former directors could be successfully brought to bear, there are concerns that they would not have any remaining assets or resources to meet any settlement agreement or judgment. The former directors have already paid £0.550m to the Administrators to settle a breach of duty claim and are understood to have arranged repayment of a loan to a related company in the sum of £0.211m. They are also understood to have defended Disqualification proceedings

against them for a lengthy period which is likely to have resulted in them incurring significant legal costs.

4.5 Claims against the Company's Banker

The Administrators' investigations highlighted that CCI appeared to be misusing clients' cash and using this to supplement business cash flows. Their report identified that in breach of customer contracts one of their bank accounts (the UKCS1 account) that was used to hold customers' cash was depleted by regular transfers from this account into other bank accounts to fund and support the Company's trading activities. This raises the question of whether or not there is a case to be answered by the Company's bankers, Santander UK Plc, regarding the manner in which the Company's bank accounts were allowed to be operated.

Evaluation: It is unclear whether a claim against the Company's bankers relating to the manner in which the Company's office and client bank accounts were operated could be brought. There is also minimal information available to creditors from which to assess the merits of such a claim. Any investigation by an alternate or replacement liquidator would be highly speculative and require considerable funding from the Authority to cover the cost of specialist personnel such as forensic accountants and advice from a leading QC with no obvious prospects of success at this stage. Bringing claims against well-resourced and conversant defendants would carry very significant risks to the Authority and could result in extensive legal costs being incurred reaching well into six figures. Bringing such claims cannot also rule out the possibility of counter-litigation against the council.

4.6 Claims against the Administrators

Similarly, for not pursuing the above line of investigation into the Company's banker, the view may be taken that a claim could be made against the Administrators for loss of opportunity.

Evaluation: The same arguments apply as for 0 above. The Administrators are a large firm of legal and insolvency professionals who will be capable of mounting a strong legal defence even if a claim could be brought.

4.7 Claims against the Company's Auditors

The Administrators' investigations also appeared to identify that amounts owing to creditors were understated in the last published accounts as at 31 December 2012 although they were unable to fully reconcile this. This therefore raises the question of whether or not there may be a claim against the Company's auditors for failing in their duty of care to third parties, in particular, creditors.

Evaluation: To bring a claim against auditors it is necessary to demonstrate that they held a duty of care to the claimant and that they were in breach of their responsibilities and did not exercise professional competence and/or independence with due care. In the case of CCI's accounts, the auditors made the following disclaimer in the Company's December 2012 financial statements:

'This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.'

While there is a general audit duty to take reasonable care in carrying out the audit of a company's accounts, the duty is owed to the company in the interests of shareholders as a whole, not to individual shareholders or creditors. It is possible for a special duty of care to exist between an auditor and a third party, such as the council, but it is exceptional. There is recent case law in which it was decided that a clear disclaimer, which met the reasonableness requirements of legislation on unfair contract terms, and the absence of a letter of engagement or fee paid between auditors and the third party (in this case a bank), which had relied on the contents of non-statutory audit reports when lending money to a company, meant that the auditor did not owe a duty of care to the bank. It is therefore very unlikely that the Authority would be able to establish a claim against the company's auditors.

- 4.8 In all options funding is also an issue for the office holders; the current appointees are carrying a significant level of unpaid fees incurred whilst acting as Administrators and may not have the resources or inclination to incur further costs investigating and pursuing potential avenues of recovery. In addition, they do not have the full support of creditors. Similar considerations will apply to potential replacement liquidators.
- 4.9 These options have been evaluated with external legal input which mirrors officers concerns about the difficulties of obtaining evidence to evaluate whether there is the basis for a successful claim. The critical issue is the high level of financial risk the council would be required to underwrite in obtaining expert legal opinion and advice and in securing the services of a liquidator in order to pursue very uncertain outcomes. Based on this analysis and the likelihood of losses being compounded, officers could not recommend pursuing further legal action or alternative investigation.
- 4.10 Members are advised that summary advice has been provided in this Part One report to ensure that Members and the public are aware of all of the options that have been explored and tested. However, further discussion of the legal risks and options is likely to require moving into a Part Two session as further information may not only compromise the council's position but, more importantly, may also compromise other creditors who may be considering their own options.

5 COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 No specific consultation has been undertaken in relation to this report.

6 CONCLUSION

- 6.1 Latest information from the appointed Administrators confirms, as previously, that it remains uncertain that there will be sufficient realisations (after the costs of administration) to enable a distribution to unsecured creditors including the council. This position is not different to the Administrators' previous progress reports and is the position assumed by the council (in 2014/15) for accounting purposes.
- 6.2 The corollary of the Administrators' findings is that the Company was losing money for a period of years due to a flawed business model and pricing structure. It was able to mask this position for a longer period than normal because it was collecting and dealing in UK and foreign cash and coin from a wide range of clients and was able to utilise this money across its bank accounts to support business cash flows.
- 6.3 Reports from the Administrators provide evidence that the Company appeared to have been trading while insolvent and that a liquidator could therefore consider

pursuing claims against the directors for wrongful trading. The Authority could also consider bringing claims against the Administrators, the Company's banker or its auditors. In summary, none of these options can be recommended because:

- i) The Directors have already paid a settlement of £0.550million and are understood to have repaid a loan and incurred substantial legal costs in defending disqualification. Further recovery of assets from the Directors may therefore be very uncertain.
- ii) As a result, the current liquidators, who also have unpaid fees outstanding, are unlikely to invest further resources in pursuing uncertain outcomes.
- iii) Similarly, attracting an alternative liquidator is unlikely to be successful without the council substantially underwriting costs due to the uncertainty of recovering their fees.
- iv) Bringing claims against the former Administrators and/or the Company's banker is evaluated as very high risk. The ability to bring claims is very uncertain and would need external legal advice. In addition, both are large, well-resourced organisations who would therefore be able to mount strong legal defences. The legal costs to challenge either would be very substantial and therefore present a very high financial risk to the Authority.
- v) Bringing claims against the Company's auditors is similarly uncertain and not considered viable.
- vi) As an added risk to bringing any claim, the risk of counter-litigation cannot be ruled out.

6.4 In conclusion, as none of the potential actions can be safely recommended, the council should continue to monitor the process of liquidation until the Company is wound up. However, in common with the majority of insolvencies, this is unlikely to result in a dividend for unsecured creditors.

7 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

- 7.1 There are no direct financial implications relating to the report. The financial impact of the CCI insolvency was fully dealt with in 2014/15 as summarised in paragraph 3.7 above.
- 7.2 As the report highlights, any dividend to unsecured creditors is highly uncertain. The only dividend currently identified relates to the legally defined 'prescribed part' which the Administrators currently estimate to be £58,575. The council would be entitled to receive approximately one third of this.

Finance Officer Consulted: Peter Francis

Date: 10/12/18

Legal Implications:

- 7.3 The limited information currently available to unsecured creditors makes the causes of action referred to above highly speculative at best, bearing considerable risk to the Authority which could result in significant legal costs being incurred.

Lawyer Consulted: Simon Court

Date: 11th December 2018

Equalities Implications:

- 7.4 There are no direct equalities implications arising from this report.

Sustainability Implications:

- 7.5 There are no direct sustainability implications arising from this report. As noted above, the one-off loss incurred through the insolvency of the Company was accommodated in 2014/15 without recourse to earmarked resources and without impacting directly on the provision of services.

SUPPORTING DOCUMENTATION

Appendices:

None.

Documents in Members' Rooms:

None.

Background Documents

Reports of the Administrators, RSM Restructuring Advisory LLP.

Document is Restricted

