

Brighton and Hove City Council

17

Interim Auditor's Annual Report
Year ending 31 March 2025

November 2025



18

Contents

01	Introduction and context	3
02	Executive summary	6
03	Opinion on the financial statements and use of auditor's powers	10
04	Value for Money commentary on arrangements	13
	Financial sustainability	15
	Governance	22
	Improving economy, efficiency and effectiveness	28
05	Summary of Value for Money Recommendations raised in 2024/25	35
06	Follow up of previous Key recommendations	41
	Appendices	46
A	Responsibilities of the Council	47
B	Value for Money Auditor responsibilities	48
C	Follow-up of previous improvement recommendations	49

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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: 8 Finsbury Circus, London, EC2M 7EA. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

01 Introduction and context

19

Introduction

This report brings together a summary of all the work we have undertaken for Brighton and Hove City Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Local

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Brighton and Hove City Council is a unitary council with an estimated population of 279,600 residents (ONS 2024). It has the highest proportion of people aged between 19 and 31 years (23%) in the South-East. However, Brighton and Hove saw an increase of 9.5% in people aged 65+ and a decrease of 22% in children under 4 years from 2011 to 2021. The Council covers approximately 33.8 square miles, containing some of the densest neighbourhoods in England. 15.3% of children live in poverty. In May 2024, the Council adopted a Leader and Cabinet system. The Local Government Reorganisation (LGR) Final Proposal: 'Representative Councils for a Devolved Sussex: A Five Unitary Proposal' was submitted to the Secretary of State for Housing, Communities and Local Government on 26 September 2025. The vesting day for the new unitaries in Sussex is 1 April 2028.

It is within this context that we set out our commentary on the Council's value for money arrangements in 2024/25.

02 Executive Summary

22

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R <ul style="list-style-type: none"> The significant weakness in arrangements for financial sustainability remains. We raised four improvement recommendations. 	<p>One risk of significant weakness identified.</p>	R <ul style="list-style-type: none"> Significant weakness in arrangements for financial sustainability remains. The Key recommendation from 2022/23 and 2023/24 remains to reflect progress on the ongoing weakness.
Governance	R <ul style="list-style-type: none"> A significant weakness in governance arrangements identified. A key recommendation was made. We raised two improvement recommendations. 	<p>One risk of significant weakness identified.</p>	R <ul style="list-style-type: none"> Significant weakness in arrangements for governance over Environmental Services remains. The Key Recommendation made in 2023/24 is updated to reflect on the ongoing weakness. We raised two new and retained two prior year improvement recommendations.
Improving economy, efficiency and effectiveness	R <ul style="list-style-type: none"> Significant weakness in relation to compliance with the Social Housing Regulator standards. We raised two improvement recommendations. 	<p>One risk of significant weakness identified.</p>	R <ul style="list-style-type: none"> Significant weakness in arrangements for the Council's Housing Stock in terms of compliance with the Regulator remains. The Key Recommendation from 2023/24 remains to support progress on the ongoing weakness. We raised two new and retained two prior year improvement recommendations.

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendation(s) made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

The Council continues to take steps to manage its financial resilience, but there are significant unidentified savings and a lack of a transformation plan to bridge the £95.158 million funding gap in the July 25 Medium Term Financial Plan (MTFP) to 2029/30. The Transformation Programme must reflect large-scale service modernisation savings, with greater collaboration and business transformation, underpinned by business plans. The Council's reserve levels are low at £9 million, only 4.4% of revenue budget compared to an average of 25% for similar councils, leaving the Council unable to absorb a significant drawdown. The funding gap needs to be reduced, as a matter of urgency. The significant weakness identified in 2022/23, and 2023/24 continues to be applicable to 2024/25, as set out on page 19.



Governance

Good progress has been made in strengthening governance arrangements with the adoption of a Leader and Cabinet system, development of the Corporate Leadership Plan and starting the Council's journey to becoming a Learning Organisation. Risk management is overseen by the Audit, Standards & General Purposes Committee while Internal audit, delivered by Orbis, issued a partial assurance for 2024/25, identifying key areas for improvement. Counter Fraud Team investigated 75 allegations during the year, yielding £1.4 million in savings. A significant weakness identified in 2023/24 remains relevant, although progress has been made, with the key recommendation on continuing to address the cultural and service issues in environmental services.



Improving economy, efficiency and effectiveness

The Council monitors strategic progress through biannual Cabinet reports aligned to four Council Plan outcomes. As of July 2025, 44% of KPIs met targets, while 24% were significantly below, particularly in waste, recycling, and temporary accommodation. Partnership working is embedded across strategic networks, though formal alignment to Council Plan outcomes is still in development. Contract management arrangements exist but are inconsistently applied. A Corporate Peer Challenge praised leadership and service excellence, including 'Outstanding' children's services. However, housing compliance is a significant weakness. Following a regulatory judgement, progress is underway but full compliance is not expected until 2026. The prior year key recommendation has been retained and updated. Further detail provided in page 38.

Executive summary – auditor's other responsibilities

This page summarises our opinion on the Council's financial statements and sets out whether we have used any of the other powers available to us as the Council's auditors.

Auditor's responsibility

2024/25 outcome

Opinion on the Financial Statements

We have completed our audit of your financial statements and will be presenting our Audit Findings Report to the Audit, Standards and General Purposes Committee meeting in November 2025. We expect to issue a disclaimer of opinion on the financial statements due to the continued uncertainty regarding equal pay claims. As with our audit in 2023/24, we do not expect to be able obtain sufficient appropriate audit evidence to conclude that provisions in the financial statements are complete.

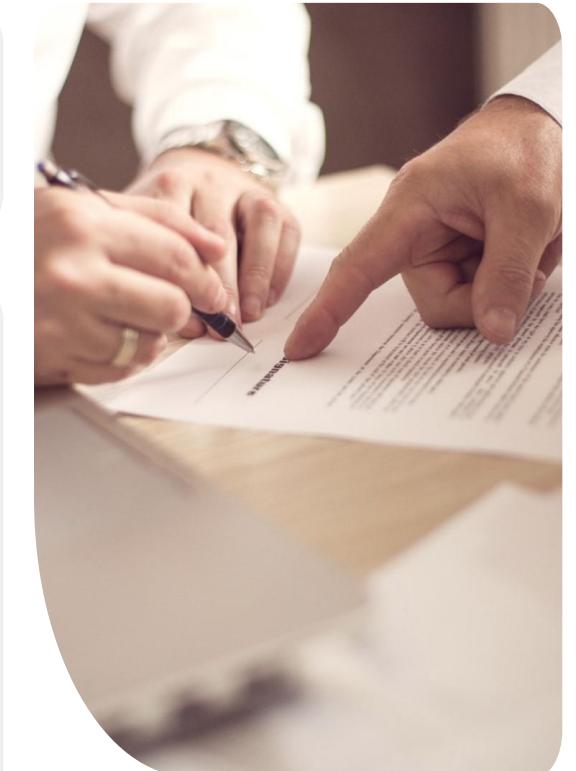
Use of auditor's powers

We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.

We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



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

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

We expect to issue a disclaimer of opinion on the financial statements due to the continued uncertainty regarding equal pay claims. As with our audit in 2023/24, we do not expect to be able to obtain sufficient appropriate audit evidence to conclude that provisions in the financial statements are complete.

The full opinion will be included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website by 27 February 2026 (backstop date set by legislation).

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

Draft financial statements were of a good standard and supported by detailed working papers.

We report the detailed findings from our audit in our Audit Findings Report. The report is presented alongside this report to the Council's Audit, Standards and General Purposes Committee in November 2025. Requests for this Audit Findings Report should be directed to the Council.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

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

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

30



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them</p>	<p>The Council managed its significant financial challenge for 2024/25 and delivered an underspend of £1.091 million against a budget of £205.383 million. The £1.091 million underspend was as a result of a significant swing of £4.401 million from month 9 (December 24) when the Council was predicting a £3.310 million overspend. This had been achieved through the implementation of strict vacancy and spending controls, reprofiling of planned spend of £1.325 million and an improvement in the City Operations performance with higher income and a greater than expected impact from spend controls. However, 20% (£4.760 million), of the substantial 2024/25 savings package of £23.627 million was not achieved, which if recurrent in nature will add to future savings requirements.</p> <p>The significant financial pressures remain in 2025/26 as the Council needs to deliver savings of £15.789 million and predicts a forecast overspend of £9.406 million. It also has a budget gap of £39.765 million to close for 2026/27, which is part of the total funding gap of £95.158 million in the medium term to 2029/30. The Council's reserve levels are low at £9 million, only 4.4% of revenue budget compared to an average of 25% for similar councils, leaving the Council unable to absorb a significant drawdown. However, the reserve level was lower at £7.94 million (3.8%) at 31 March 2025 and the Council has since made a £1.25 million contribution to reserves at the start of 2025/26. It is vital that the Council has clear and robust plans to deliver savings over the next three years to rebuild its general fund reserves to its target level of £15 million. Trends also show a growing underlying deficit in the Housing Revenue Account (HRA), with a forecast £0.242 million surplus in year one, falling to a £2.197 million deficit by year five, which is unsustainable as the HRA reserves need to be at least maintained at the current level of £12.844 million, which the Council has assessed as appropriate. The financial sustainability of the Council's HRA is of concern given the housing stock liabilities in terms of the age and the work required to bring properties up to the Regulator of Social Housing's (RSH) Consumer standards. We raised an improvement recommendation on page 20.</p>	A

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
32 plans to bridge its funding gaps and identify achievable savings	<p>Some services, such as adult social care and environmental services, are addressing services pressure through transformational change. The Council restructured its directorates and senior management structure to make significant savings from 1 January 25, however all this work, needs clarity in terms of a Transformation Plan for the medium term that clearly translates ambitions into financial deliverables, directly linked to the estimated £95 million funding gap to 2029/30. An overall council Transformation Programme is in the early stages of development. The Interim Section 151 Officer delivered even more challenging news to members in July 25 when the estimated four-year budget gap was reported to be £95.158 million, an increase of 58%. Whilst good work continued in terms of scrutinising service delivery through “Lines of Enquiry”, as part of the 2025/26 budget setting process, and restructuring senior management to achieve savings, there is still no comprehensive, annualised transformation plan.</p> <p>The Corporate Leadership Team (CLT) is engaged and has prioritised financial sustainability, yet there is an absence of a clear roadmap of transformational actions to address the risks, which perpetuate the annual short-term fixes and defer difficult decisions. Without urgent clarity and decisive action in the 2026/27 budget process, the Council faces the serious threat of a Section 114 notice and potential central government intervention. We therefore continue the significant weakness and have reworded the 2023/24 key recommendation, on page 19, to recognise improvements that have been made during 2024/25, but also the significant weakness that still exists as the Council has not defined nor reported on a comprehensive transformation programme that aims to close its £95.158 million funding gap over the next four years. We will follow up on the setting of the 2026/27 budget in Spring 2026.</p>	R

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>There was an established link between the Council's corporate objectives and financial planning through the alignment of its annual budget and Medium-Term Financial Strategy (MTFS) with the Council Plan. The budget is a financial expression of the Council Plan, ensuring that both revenue and capital resources are directed toward achieving the Council's vision of a "better Brighton and Hove for all." The Council Plan 2023–2027 outlines the four strategic priorities, Homes for Everyone, A Healthy City where People Thrive, A City to be Proud of, and A Responsive Council with Well-Run Services, which are central to the budget-setting process. These priorities guide how resources are allocated and how investment and transformation plans are developed, with progress measured against clearly defined outcomes. The Corporate Leadership Team (CLT) plays a key role in maintaining financial sustainability, which is treated as a top priority alongside organisational culture and long-term planning.</p>	G
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	<p>Financial planning assumptions were aligned with key operational strategies, such as the People Strategy and Carbon Neutral Programme. The out-of-date Asset Management Plan was revised and approved by the October 2025 Cabinet. The Council recognises that the Digital, Data and Technology Strategy requires updating to reflect the evolving Transformation Programme and whilst the initial engagement with the new lead member for transformation has begun, this is an being taken forward. During the year, there was a substantial review of the Capital Programme resulting in the decommitment of several schemes and reduced financing costs. The Capital Programme Board is monitoring the rationalisation of the Capital Programme and the development of a capital receipts strategy to support modernisation and invest-to-save initiatives. As well as the modernisation of services through its transformation programme Local Government Reorganisation is also a key challenge for the Council in 2025/26, with the East Sussex proposal due for submission in September 2025.</p>	G

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>3 identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans</p>	<p>In 2024/25, the Council demonstrated adequate management of its in-year financial delivery risk through strict recruitment and expenditure controls. Despite these measures, the Council faces major financial risks, delivery of the 2025/26 budget, a projected budget gap of some £39 million for 2026/27 and the risk arising from an equal pay claim. One of the Council's highest financial risks was realised during 2024/25, as the i360 seaside attraction went into administration with the Council's loan outstanding at £51.040 million. A financial bad debt provision for part of this debt to be unpaid of £18.900 million had already been made, leaving a net balance of £32.140 million which has been added to the Council's MTFP.</p> <p>With critically low reserve levels, the Council has limited capacity to absorb financial shocks. In response, 2025/26 saw the implementation of further actions including the formation of a Savings & Innovation Delivery Board, service-level recovery plans, and transformation initiatives targeting high-demand areas such as Temporary Accommodation and social care. To enhance financial sustainability, the Council is encouraged to adopt scenario planning that includes both realistic and worst-case assumptions. This would provide a clearer view of annual funding gaps and necessary savings targets. The Medium-Term Financial Plan (MTFP) from February 2025 projected a £60.3 million budget gap by March 2029, down from £72.7 million in May 2024. However, a revised Medium-Term Financial Strategy (MTFS) in September 2025 revealed a significantly higher gap of £95.158 million, raising concerns about the consistency of assumptions. The £39.765 million gap forecast for 2026/27 is disproportionately high compared to future years due to a £12 million temporary accommodation financial pressure and a fair funding reform adjustment of £6 million which has ensured that downside pressures are appropriately factored into the medium-term forecasts. We raised an improvement recommendation on page 21.</p>	A

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key Finding: Whilst the Council continues to take steps to manage its financial resilience, there remains significant unidentified savings in future years, and a lack of a transformation plan to bridge the £95.158 million funding gap identified to 2029/30.

Evidence: Financial pressures are increasing in 2025/26 as the Council needs to deliver savings of £15.789 million, of which only 74% are predicted to be delivered. There is a month 5 forecast overspend of £9.406 million, including £4.179 million (26%) of unachievable planned savings. The Council has key financial risks that if they materialised could have a significant impact on the Council's financial sustainability, as there is a budget gap for 2026/27 of £39.765 million and a critical question as to whether sufficient savings can be found to meet that gap. There is also a financial risk of a potential equal pay claim in future years.

A council wide Transformation Programme is being developed with nine workstreams to make savings in a more strategic way using a new Innovation Fund. An asset disposal programme is also being set up to generate capital receipts to invest in housing and reduce the temporary accommodation pressure of £12 million in 2026/27. However, the dedicated transformation team is currently too small to develop strategies to drive genuine change and savings, and more resources are needed. What is also not clear is the multi-year impact of not achieving the 2024/25 and 2025/26 savings as there is no transformation plan to demonstrate whether these were either one-off or recurrent savings that could have benefitted future years. The Council's Transformation Programme needs to reflect large-scale recurrent transformational service savings, underpinned by business plans which are incorporated into the next iteration of the Council's MTFP to help close the four-year estimated £95.158 million funding gap, plus the predicted month 5 forecast overspend of £9.406 million for 2025/26.

Impact: A lack of detailed, deliverable recurrent transformational savings plan puts the Council's Medium Term Financial Plan (MTFP), and the Council's financial sustainability, with its estimated £95.158 million funding gap to 2029/30 at significant risk.

Key recommendation 1

KR1: The Council must urgently implement step changes in transformational planning to improve its corporate grip over its significant financial sustainability challenge. It is critical that there is a dedicated transformation team with governance structures under which to develop strategies to drive genuine change and savings. A pipeline of recurrent savings and income generation schemes, underpinned by approved business cases, need to be quantified in the Transformation Programme and integrated into the Medium-Term Financial Plan Strategy (MTFP) to bridge the 2026/27 financial gap of £39.765 million and the remaining £55.393 million predicted funding gap to 2029/30.

Financial sustainability (continued)

Area for improvement: Transparency of HRA reporting

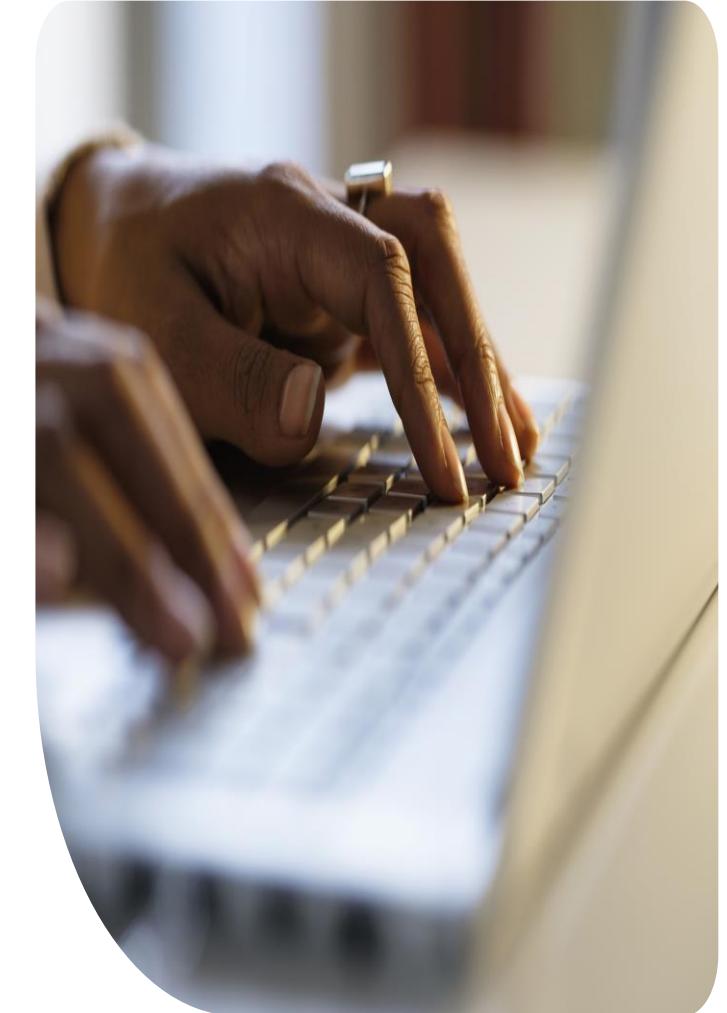
Key Finding: There are risks and uncertainties around the medium-term financial sustainability of the HRA and these issues need to be recognised in medium-term financial planning.

Evidence: Current trends indicate a growing underlying deficit in the Housing Revenue Account (HRA) over the medium term, demonstrated by the fact that there is a £0.242 m surplus in year one, falling to a £2.197m deficit by year five. This is an unsustainable position and needs addressing. The Regulator of Social Housing grading of a "C3 - significant improvement needed" RSH grading means that increased expenditure to refurbish properties to the required quality and safety standards is required. A proposed recovery plan funded by the HRA Reserves may be insufficient as the HRA continues to face significant uncertainty regarding its medium-term financial position. The 30 year HRA Business Plan should be analysed between short, medium and long terms goals in a HRA Delivery Action Plan so that the Council is assured that optimum action is being taken at the right time, and progress is reported on in terms of assuring progress in improving the condition of the housing stock and the financial sustainability of the HRA.

Impact: The monitoring and reporting of progress against a HRA Delivery Action Plan will give members assurance that the HRA's service and financial risks are being effectively managed.

Improvement recommendation 1

IR1: The Council needs to update its HRA MTFS for the liability for the housing refurbishment required over the next two years to meet the RSH Quality and Safety standard. The 30 year HRA Business Plan should be analysed between short, medium and long terms goals in a HRA Delivery Action Plan so that the Council is assured that optimum action is being taken at the right time, and progress is reported on in terms of assuring progress in improving the condition of the housing stock and the financial sustainability of the HRA.



Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council continues to operate under a formal Risk Management Framework (RMF), approved in January 2025, which sets out structured governance and oversight arrangements. Strategic risks are reviewed quarterly at Directorate Management Teams (DMTs) and the Corporate Leadership Team (CLT). Following the CIPFA review of the Audit & Standards Committee in 2021 and the subsequent transition to a Cabinet governance model, oversight responsibilities for risk were redistributed between the Audit, Standards & General Purposes Committee (ASGPC) which focuses on the adequacy of the risk management framework, whilst the detailed scrutiny of strategic risks occurs through service committees and Cabinet. Cabinet receives a full list of strategic risks twice a year as part of the Council Plan progress updates. The Lead Cabinet Member for performance and risk receives quarterly updates.</p> <p>In 2024/25, the Strategic Risk Register (SRR) was presented to ASGPC twice in January and June 2025. Our assessment indicates that operational engagement with risk is well embedded through DMT and CLT reviews, and the reporting frequency to ASGPC is sufficient and demonstrates compliance with the RMF. Given the high overall risk profile reflected in the SRR—including three red-rated risks, two of which relate to financial sustainability and delivery of the Council Plan—continued emphasis on robust discussion and challenge at ASGPC remains important to ensure effective governance.</p> <p>Internal Audit provided a reasonable assurance rating on risk management for 2024/25 and identified areas for improvement, including development of a formal risk appetite statement and enhancements to training and action planning. We note that the Council is progressing these actions, with risk appetite statements scheduled for Cabinet in December 2025 and a new PowerBI dashboard to strengthen risk reporting.</p> <p>Internal Audit, delivered by Orbis, issued a partial assurance opinion for 2024/25. This was due to an increase in partial assurance reports, recurring weaknesses in financial systems (e.g. Payroll, Accounts Receivable), and persistent issues in contract management and direct payments. While the year-end implementation rate of high-priority actions was strong (97.1%), the Q1 dip to 76.5% indicates emerging risks and reduced consistency. To address this, we have issued an improvement recommendation on page 27 for the Council to strengthen its internal control environment, focusing on financial systems, procurement compliance, and timely implementation of audit actions.</p>	R

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (continued) 83	<p>Although the Council met its annual target for implementing high-priority audit actions, several actions from the previous year's Annual Governance Statement (AGS) remained incomplete, with limited evidence of in-year progress reporting to the ASGPC.</p> <p>The Counter Fraud Team received 75 allegations in 2024/25, more than double the previous year. Investigations covered a range of issues including overtime overclaims, procurement irregularities, and tenancy fraud. Financial savings from fraud prevention and detection were reported at £1.4 million. The updated Whistleblowing Policy clarified procedures and access for staff, the public, and elected members.</p> <p>The Council's Culture Change Programme in environmental services, during 2024/25, has had results. Despite improvements, some countercultural behaviours still persist and service improvements are still required as full cultural transformation is expected to take 2–5 years. As a result, we have retained and updated our key recommendation, on page 27, to support the Council's commitment to continued reporting, lessons learned exercises, and monitoring of staff wellbeing and behavioural risks.</p>	R



Annual Governance Statement (AGS) Progress Reports with RAG Ratings

Introducing a structured in-year AGS progress reporting mechanism to the Audit, Standards & General Purposes Committee, incorporating RAG ratings, explanations for delays, and recovery plans, could support more effective scrutiny and align with established sector practice. This could also provide clearer assurance on the status of governance actions and help maintain accountability for delivery of those actions.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	<p>The Council operates an effective annual budget setting process, which is closely aligned with Council Plan priorities to ensure strategic focus and value for money. Elected members are actively involved through regular Budget Workshops and monthly Star Chamber sessions. These forums support scrutiny, challenge, and informed decision-making throughout the budget's development from May 2024 to February 2025. The engagement process enables thorough testing of savings proposals, investment plans, and service changes. It also facilitates assessment of delivery risks, capacity, equality impacts, and alignment with Council priorities and legal or financial considerations. Services submit Outline Business Cases to identify resource needs for invest-to-save opportunities. Notably, the Council developed an on-line 'Budget Simulator' that enabled residents and other stakeholders to make their own attempt to balance the council's budget by making choices about which service areas they would reduce or increase spending to close the budget gap.</p>	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>The Targeted Budget Monitoring (TBM) framework is a risk-based financial management approach applied across all levels from Budget Managers to Cabinet. It ensures regular identification and management of financial risks throughout the year. Services monitor their TBM position monthly or quarterly, depending on budget complexity and risk. The framework prioritises areas with high-cost pressures or demand-led risks, enabling timely financial recovery planning and mitigation strategies. The TBM Reports provide a clear summary of in-year financial performance, including departmental variances and year-end forecasts. The financial dashboard visualises variances, RAG-rates overspends, compares historical TBM forecasts, and tracks savings delivery. Importantly, for departments with overspending risks, the TBM framework includes financial recovery plans, supporting the Council's response to its challenging financial position throughout the financial year.</p>	G

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	<p>The Council's governance arrangements reflect some transformation and improvement. The shift to a Leader and Cabinet model has streamlined decision-making and enhanced accountability. This change is supported by strategic initiatives including a Corporate Leadership Plan, a revised organisational structure, and the Learning Organisation Framework, all aimed at boosting capacity and responsiveness. Strengths include the Council's proactive governance updates—such as revisions to the Local Code of Corporate Governance and Risk Management Framework—and the establishment of oversight bodies like the Information Governance Board.</p> <p>Decision-making processes are well-documented and legally sound. Cabinet decisions, such as those on Microsoft licensing and cleaning contracts, are supported by detailed analysis and cross-departmental consultation. Scrutiny functions are active and effective, with three Overview and Scrutiny Committees providing critical challenge and influencing Cabinet planning. Public engagement is evident, particularly in discussions around the Community Infrastructure Levy, where councillors and community groups contributed meaningfully. However, there are areas for improvement. Risk reporting remains fragmented, with key risks embedded within narrative sections or raised during debate rather than presented in a consistent, structured format. In 2023/24, we identified a recommendation for the Council to introduce a visible “key risks” summary in all Cabinet and committee reports. As of 2024/25, this recommendation has not been fully implemented or evidenced. Therefore, we will rate this criterion as amber, reflecting the need for further progress to ensure consistent and transparent risk communication across decision-making processes.</p>	A

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	<p>The Council has made notable progress in establishing and maintaining standards for officer and member conduct, legislative compliance, and procurement practices. Codes of Conduct for both members and employees are embedded in the Constitution and include clear guidance on gifts, hospitality, and conflicts of interest. Oversight is provided by the Audit, Standards & General Purposes Committee (ASGPC), which receives regular updates and reviews complaints procedures. In 2024/25, the Committee approved procedural changes and reviewed complaint volumes, which remained consistent with 2023/24. Specifically, the Committee endorsed updates to the preliminary assessment criteria for member conduct complaints. These changes aimed to improve clarity, emphasise public interest, and ensure proportionality in decision-making. Of the 32 complaints submitted during 2024, 31 were resolved by year-end, with decisions made at the preliminary stage in consultation with Independent Persons. The actions taken enabled more efficient resolution and reduced the need for formal investigations.</p> <p>Mandatory training for all members supports awareness and compliance, while the refreshed Code of Corporate Governance and embedded action plan reflect a structured approach to continuous improvement. Internal audits on data handling and cyber resilience have provided reasonable assurance, with no formal data breaches requiring ICO reporting.</p> <p>Procurement arrangements are governed by updated Contract Standing Orders, which incorporate the Procurement Act 2023 and other relevant legislation. Officers follow structured processes for supplier selection and waiver approvals, supported by internal templates and Cabinet Office tools. Waivers are formally documented and require dual approval, with all records maintained in a central log. A Procurement Forward Plan was approved by Cabinet in February 2025, enhancing transparency and strategic oversight for high-value contracts. However, the Council does not currently have a standalone Procurement Strategy, and member reporting on contract waivers is still under development. These elements were part of an improvement recommendation issued in 2023/24, which remains only partially implemented. As such, we will rate this criterion as amber, reflecting that while the current arrangements are broadly adequate for compliance, further progress is needed to close strategic and transparency gaps and fully meet the recommended standards.</p>	A

Governance (continued)

Significant weakness identified in relation to governance

In response, to the Independent Review of Environmental Services in Nov 23, the Council's Culture Change Programme during 2024/25 has resulted in substantial improvements. Over 40 staff has left through disciplinary or capability processes. A public report to Cabinet, in May 2025, outlined substantial progress, challenges met and remaining, and reflections on unchecked behaviours citing political vulnerabilities, union dynamics, and weak managerial support.

Positive engagement with staff has substantially improved the culture within the service. This was recognised as being effective by the LGA Corporate Peer Challenge which stated that "significant work is underway within environmental services, early results show that transformation efforts are beginning to yield improvements in both culture at the depot and in service delivery. Some service improvements gained with improved systems to measure performance and new ways of working with digital technology in cabs. There has been positive engagement and training of staff, notably the Equality, Diversity and Inclusive training in December 2024. A vehicle replacement programme in place with new Head of Fleet from January 2025 and there are better working practices and strengthened industrial relations.

Despite improvements, some countercultural behaviours still persist and service improvements are still required as full cultural transformation is expected to take 2–5 years. We have therefore retained this as a significant weakness during 2024/25.

Key recommendation 2 – retained and updated from 2023/24

KR2: Recognising the progress made during 2024/25, the Council should continue to formally, consistently, and transparently track and report on the implementation of the KC recommendations to members, ensuring progress is monitored to completion. Given the scale and complexity of cultural change, and the Council's own estimate that full embedding may take 2–5 years, reporting should include cultural change metrics, staff wellbeing indicators, and mechanisms to detect and address persistent countercultural behaviours.

Governance (continued)

Area for improvement: Strengthening Internal Control Environment

Key Finding: Internal Audit issued a partial assurance opinion on the Council's governance, risk management, and internal control systems for 2024/25. This represents a decline from the prior year and reflects a notable increase in partial assurance reports.

Evidence: 16 out of 69 audits (23%) received partial assurance. Systemic weaknesses were identified in:

- Contract monitoring and compliance.
- Data validation and financial controls.
- Delays in implementing agreed actions.

Recurring issues in Direct Payments and contract management have persisted across multiple years. Capacity and resilience challenges were raised by management and reflected in audit outcomes. Implementation rate of high-priority actions dipped to 76.5% at the end of Q1 2025/26, below the 95% target.

Impact: The volume and nature of partial assurance opinions suggest weakness in internal controls across several service areas. Without targeted improvement, there is a risk of further deterioration in assurance levels and reduced confidence in the Council's control environment.

Improvement recommendation 2

IR2: The Council should strengthen arrangements for internal control by improving oversight of financial systems, contract management, and the timely implementation of audit actions, to ensure consistency and resilience across key risk areas.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>uses financial and performance information to assess performance to identify areas for improvement</p> <p>44</p>	<p>The Council monitors performance against its strategic objectives through biannual Cabinet reports, aligned with four Council Plan outcomes. The performance framework integrates key performance indicators (KPIs), strategic risks, and improvement actions, with updates provided mid-year and at year-end. As of July 2025, 44% of KPIs met or exceeded targets, 28% were within tolerance, and 24% were significantly below target. Key areas of underperformance include waste and recycling, where missed collections and low recycling rates persist, and housing, where the number of households in temporary accommodation exceeded targets and the timeliness of repairs remained below expectations.</p> <p>Workforce diversity metrics showed some improvement but continued to fall short of city demographics. For example, As of March 2025:</p> <ul style="list-style-type: none"> • BME staff made up 11.9% of the workforce, just below the city benchmark of 12.1%. • Staff declaring a disability reached 9.9%, compared to a city benchmark of 11.7%. • LGBT representation was 15.7%, exceeding the city benchmark of 12.2%. <p>Oversight is provided by Overview and Scrutiny and Audit and Standards Committees, with Cabinet minutes reflecting active engagement. Benchmarking data, such as IT spend comparisons, supports strategic investment decisions. Overall, the Council has identified key areas for improvement and is implementing targeted actions to address performance shortfalls.</p> <p>The Council's Data Quality Policy, last updated in October 2023, underpins performance reporting. No internal audit of data quality was scheduled for 2024/25, indicating low perceived risk and there is no evidence of sample testing to verify the robustness of KPI calculations or reporting accuracy. We have therefore raised one improvement recommendation and provide insight in this area on page 33.</p>	A

Improving economy, efficiency and effectiveness (continued)

We considered how the Council:	Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement	<p>The Council was part of a Corporate Peer Challenge (CPC) in April 2025 which highlighted the professionalism and commitment of staff, positive Member-Officer relationships, and a collaborative organisational ethos. The Council's national leadership in equality, diversity, and inclusion was recognised, alongside visible regeneration achievements and early improvements in Environmental Services. The arrangements for monitoring and progressing the CPC are adequate, with structured oversight through the Corporate Leadership Plan. Additionally, the Council's children's services were rated 'Outstanding' by Ofsted in March 2024, reflecting excellent practice and outcomes.</p> <p>The Council has also made progress in its complaints handling, with a reduction in the Local Government Ombudsman's upheld rate from 83% to 60% in 2024/25, despite an increase in complaint volumes. This suggests improved internal resolution and responsiveness. However, a significant area of weakness remains in housing compliance. Following the Regulator of Social Housing's (RSH) C3 judgement in August 2024, the council entered a formal period of intensive engagement with the RSH. This involved monthly monitoring meetings and structured reporting on compliance performance, and risk mitigation. As part of its response, the council undertook a comprehensive root cause analysis which identified systemic failings in three key areas: data quality, governance, and workforce capacity. These findings have informed a targeted improvement programme embedded within the 2025/26 Housing Strategy Action Plan, aimed at restoring compliance and strengthening long-term resilience.</p> <p>While operational improvements are evident—including increased compliance in electrical safety (from 66.4% to 87.1%), smoke detector coverage (98.9%), and Legionella assessments (81%)—full compliance is not expected until December 2026. Fire safety remediation and repairs backlog clearance remain key priorities, with the backlog maintenance more advanced. The Council has responded with strengthened governance, regular Cabinet oversight, and a dedicated Housing Safety and Quality Assurance Board. These actions are embedded in the 2025/26 Housing Strategy and monitored through six-monthly public reporting. As a result of the ongoing work to address housing safety and compliance, we have therefore retained and updated the key recommendation from prior year to reflect the continued risk and the need for sustained focus through to full compliance.</p>	R

Improving economy, efficiency and effectiveness (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives</p>	<p>The Council operates a broad network of partnerships that are central to delivering its strategic objectives. Strategic bodies such as Brighton & Hove Connected and the City Management Board provide cross-system leadership, while thematic partnerships like the Community Safety Partnership and Safeguarding Boards support statutory duties. Collaboration with NHS Sussex Integrated Care Board enables joint commissioning of health and social care services, including the Integrated Care Strategy.</p> <p>The Council is also working with East and West Sussex councils to establish a Mayoral Combined County Authority (MCCA), aimed at devolving funding and decision-making in areas such as transport, housing, and economic growth. Resident engagement is supported through platforms like Your Voice, which enables communities and stakeholders to shape policy and service design. These arrangements, alongside operational partnerships with developers, contractors, and voluntary sector organisations, contribute directly to outcomes in housing, health, and infrastructure.</p> <p>Partnership working is embedded in the Council Plan 2023–27, which commits to collaboration to achieve priorities such as affordable housing, sustainable transport, and net zero. Examples include the Enhanced Bus Partnership with operators and Homes for Brighton & Hove LLP with Hyde Housing. Voluntary and community sector partners, such as Voices in Exile, support homelessness prevention and refugee resettlement. Partners are also engaged in improvement activity where performance challenges exist. Following the Regulator of Social Housing judgment, the Council works with contractors, East Sussex Fire & Rescue, and tenant groups to address compliance gaps in building safety and repairs. Orbis Shared Services supports governance improvements in financial systems and contract management.</p> <p>Key partnership activity is reported through biannual Council Plan updates to Cabinet and annually to Full Council. Performance is monitored through KPIs, although partnership-specific contributions are not always isolated. Related risks, such as housing delivery (SR21), building safety (SR39), and digital modernisation (SR18), are managed through the Strategic Risk Register. We previously identified an opportunity for improvement in how the Council ensures its partnerships are aligned to the Council Plan priorities and contribute to defined outcomes. While the refreshed Council Plan now references partnerships, the formal mapping of each partnership to specific Council Plan outcomes is still under development, with full implementation not expected until 2026/27. Therefore, we continue to rate this criterion as Amber, and the prior year recommendation remains open.</p>	G

Improving economy, efficiency and effectiveness (continued)

We considered how the Council:	Commentary on arrangements	Rating
47 commissions or procures services, assessing whether it is realising the expected benefits	<p>The Council has made progress in establishing mechanisms to assess whether commissioned and procured services are delivering expected benefits. Contract management is governed by the Contract Standing Orders and devolved to service areas, with the Procurement Team offering guidance.</p> <p>Training has been delivered to over 160 officers, and a business case is being developed to address capacity challenges following staffing reductions. Internal Audit has played a key role in evaluating contract management effectiveness. A 2024/25 review of high-value contracts in Facilities and Building Services identified inconsistent application of the framework and limited compliance evidence, resulting in partial assurance. Similar findings were noted in audits of Temporary Accommodation Payments and the Home Purchase Scheme, where weak controls and procedural gaps were observed. In contrast, Public Health services demonstrated stronger practices, receiving reasonable assurance. Each audit led to specific improvement actions, including enhanced training, better data verification, and strengthened oversight.</p> <p>In 2024/25, the Council reported a modest underspend and slippage in its Capita programme, with minimal directorate-level variances, suggesting effective control. The Council also benefits from its membership in the Orbis Procurement Partnership, which supports joint tendering and strategic procurement oversight. The Annual Procurement Forward Plan (Feb. 2025) identifies contracts over £1 million and includes process flows to ensure transparency and efficiency.</p> <p>While the Council has the necessary structures in place and is actively addressing weaknesses, contract management practices are not yet consistently embedded across all services. Internal Audit findings and ongoing improvement efforts indicate that benefits realisation is being monitored, but further progress is needed to ensure consistent and effective delivery. As a result, we have issued one improvement recommendation on page 35 to support the council's contract management arrangements.</p>	A

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to improving economy, efficiency and effectiveness

The Council has made progress on housing safety compliance since the 2023/24 judgement, improving electrical checks to 87.1%, nearly completing smoke detector coverage, and halving fire safety actions and repair backlogs. However, full compliance remains unmet, with water safety and electrical programmes ongoing until 2026. Systemic issues such as data quality, governance, and workforce capacity were identified posing regulatory and reputational risks. Governance has improved, but enforcement pressures and decisions on high-risk buildings continue to challenge the Council's compliance efforts.

The key recommendation is updated in 2024/25 because smoke detector compliance is nearly complete (98.9%), while timely repairs and electrical safety remain outstanding, with full compliance not expected until late 2025 and 2026, respectively. Governance improvements, including six-monthly Cabinet reporting, are in place, so the focus should shift to sustaining these and embedding systemic changes identified through the root cause analysis for long-term resilience.

Key recommendation 3 – retained and updated from 2023/24

KR3: The Council should complete outstanding actions to achieve full compliance with the Social Housing Regulator's standards by December 2026, focusing on:

- finalising electrical safety testing and certification;
- addressing the challenges around water and fire safety;
- clearing the repairs backlog and sustaining timely repairs;
- embedding governance and systemic improvements to prevent recurrence.

Progress should continue to be reported publicly to Cabinet every six months until compliance is achieved.

Improving economy, efficiency and effectiveness

Area for Improvement: testing KPI accuracy

Key Finding: The Council has established frameworks for performance monitoring and data quality, but there is currently no independent validation of how accurately KPIs are calculated and reported.

Evidence: The Council's Data Quality Policy (updated October 2023) outlines roles and responsibilities for ensuring reliable data. KPI performance is monitored quarterly and reported biannually to Cabinet, with 24% of KPIs significantly below target at year-end.

The Council undertakes annual benchmarking to compare performance against sector norms (e.g., Gartner IT Benchmark), which informs strategic priorities and investment decisions.

However, no internal audit work was undertaken on data quality in 2024/25, and there is no evidence of sample testing to verify the robustness of KPI calculations or reporting accuracy.

Impact: Without sample testing, there is limited assurance over the reliability of KPI data. This may hinder the Council's ability to identify what is working well and where improvements are needed—particularly important for a learning organisation committed to continuous improvement.

Improvement Recommendation 3

IR3: The Council could sample test KPI accuracy periodically to complement its existing benchmarking and performance monitoring processes. This would provide independent validation of reported outcomes and enhance confidence in decision-making.



Grant Thornton insight

Strengthening Cabinet Oversight of Underperforming KPIs

Given that 24% of KPIs are significantly below target at the end of 2024/25, consideration should be given to increasing the frequency of performance reporting to Cabinet from biannual to quarterly. This could enable more timely oversight and intervention, particularly in areas of persistent underperformance, and support the Council's commitment to continuous improvement.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

Area for Improvement identified: contract management assurance

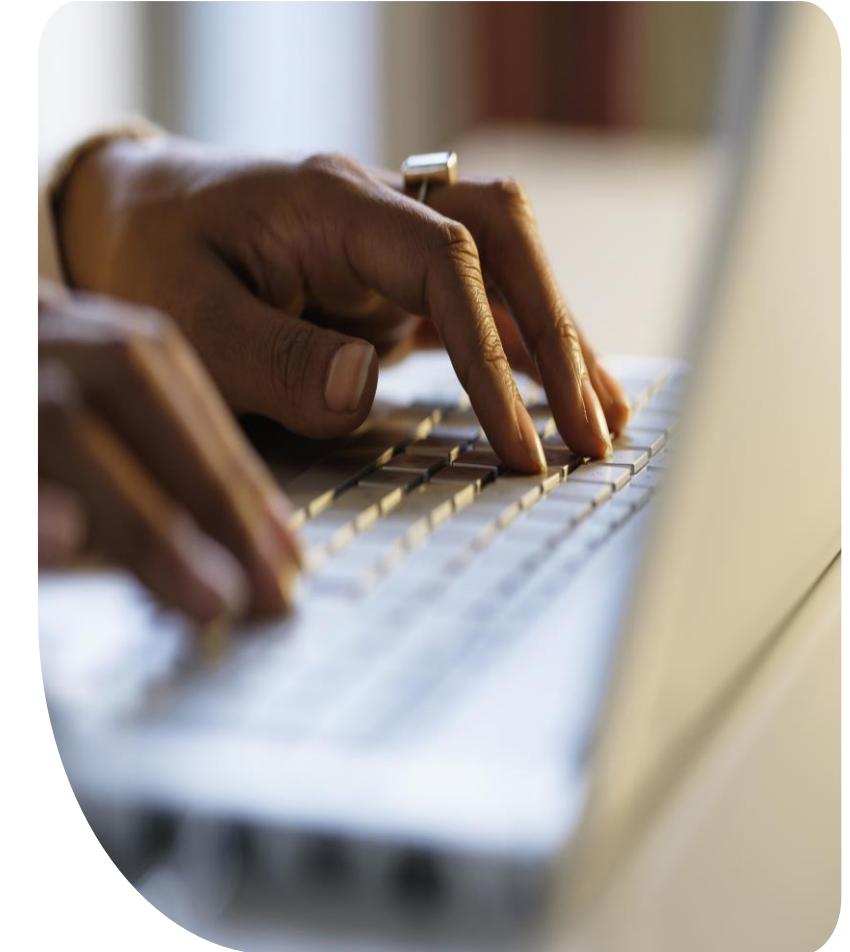
Key finding: The Council has established a Contract Management Framework to guide service areas in managing procured contracts. However, Internal Audit reviews in 2024/25 found that the framework is not yet consistently embedded across all departments. Contract management responsibilities are devolved, and while training has been delivered, the current arrangements lack maturity and uniform application.

Evidence: Internal Audit provided partial assurance ratings for several high-value contracts, including those in Facilities and Building Services, Temporary Accommodation, and the Home Purchase Scheme. These audits revealed inconsistent use of the framework, weak oversight controls, and limited documentation of compliance. Although improvement actions were agreed, the need for follow-up audits indicates that assurance is not yet sustained.

Impact: Without fully embedded and consistently applied contract management practices, the Council faces increased risks of inefficiencies, poor value for money, and reduced accountability in service delivery. The lack of mature oversight mechanisms may hinder the Council's ability to realise expected benefits from commissioned services. Therefore, we recommend continued embedding of the framework, strengthening oversight, and ensuring follow-up audits confirm sustained improvements.

Improvement Recommendation 4

IR4: The Council should continue embedding the contract management framework, strengthen oversight mechanisms, and ensure follow-up audits confirm that improvements are sustained. The current arrangements are developing but not yet mature to ensure effective contract management assurance.



05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendations raised in 2024/25

52

	Recommendation	Relates to	Management Actions
KR1	<p>The Council must urgently implement step changes in transformational planning and modernisation of service delivery to secure financial sustainability. It is critical that there is a dedicated transformation team with governance structures under which to develop strategies to drive genuine change and savings. A pipeline of recurrent savings and income generation schemes, underpinned by approved business cases, need to be quantified in the multi-year Transformation Programme and integrated into the Medium-Term Financial Plan Strategy (MTFP) to bridge the 2026/27 - 2029/30 predicted budget gap of £95.158 million and address the month 5 forecast overspend of £9.406 million for 2025/26.</p>	<p>Financial sustainability (page 19)</p>	<p>Actions: The Council has been developing a comprehensive medium term financial strategy throughout 2025 to address the Council's financial sustainability. A draft medium term financial plan underpinned by a transformation programme will be reported to Cabinet in December 2025, with the final version approved in February 2026. The Council is also reviewing the resources and expertise across the organisation to deliver this transformation programme. Details of this will be included in the February Cabinet report.</p> <p>Responsible Officer: Chief Finance Officer and Director of People and Innovation</p> <p>Due Date: 28 February 2026</p>

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>KR2</p> <p>The Council should continue to formally, consistently, and transparently track and report on the implementation of the KC recommendations to members, ensuring progress is monitored to completion.</p> <p>Given the scale and complexity of cultural change, and the Council's own estimate that full embedding may take 2–5 years, reporting should include cultural change metrics, staff wellbeing indicators, and mechanisms to detect and address persistent countercultural behaviours.</p>	<p>Governance (page 27)</p>	<p>Actions: Significant progress has been made in tackling the issues raised within the KC report, and It is important for the service that we continue to focus on the future and embed the culture change over the next 2-5 years. We are developing a dashboard for performance in the service and are working on tracking staff sentiment. Reporting will continue to Cabinet in 2026 to further update on progress.</p> <p>Responsible Officer: Director of Human Resources & Organisational Development</p> <p>Due Date: 31 March 2026</p>

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>54</p> <p>KR3</p> <p>The Council should complete outstanding actions to achieve full compliance with the Social Housing Regulator's standards by December 2026, focusing on:</p> <ul style="list-style-type: none"> • finalising electrical safety testing and certification; • addressing the challenges around water and fire safety; • clearing the repairs backlog and sustaining timely repairs; • embedding governance and systemic improvements to prevent recurrence. <p>Progress should continue to be reported publicly to Cabinet every six months until compliance is achieved.</p>	<p>Improvement economy, efficiency and effectiveness (page 32)</p>	<p>Actions: We will continue to drive improvements across all areas of housing compliance over the course of the next 12 months and continue to report this regularly to Cabinet.</p> <p>Responsible Officer: Corporate Director Homes and Adults Social Care</p> <p>Due Date: 31 December 2026</p>

Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>IR1</p> <p>The Council needs to update its HRA MTFS for the financial liability for the housing refurbishment required over the next two years to meet the RSH Quality and Safety standard. The 30 year HRA Business Plan should be analysed between short, medium and long terms goals in a HRA Delivery Action Plan so that the Council is assured that optimum action is being taken at the right time, and progress is reported on in terms of assuring progress in improving the condition of the housing stock and the financial sustainability of the HRA.</p>	<p>Financial sustainability (page 20)</p>	<p>Actions: A comprehensive review of the HRA medium term financial strategy has taken place throughout the autumn of 2025, to consider the many competing priorities for HRA resources, ensuring that these can be delivered alongside ensuring continued financial sustainability. The updated HRA 30-year business plan will be reported to Cabinet in February 2026.</p> <p>Responsible Officer: Corporate Director Homes and Adults Social Care and Chief Finance Officer</p> <p>Due Date: 28 February 2026</p>

Improvement recommendations raised in 2024/25

56	Recommendation	Relates to	Management Actions
IR2	The Council should strengthen arrangements for internal control by improving oversight of financial systems, contract management, and the timely implementation of audit actions, to ensure consistency and resilience across key risk areas.	Governance	<p data-bbox="1082 505 2401 659">Actions: Internal Audit progress reports are part of the CLT assurance agenda on a regular basis, where oversight of internal controls as well as implementation of audit actions is considered. Arrangements are being further strengthened by ensuring that these items are also considered by DLTs on a regular basis.</p> <p data-bbox="1082 678 1794 707">Responsible Officer: Corporate Leadership Team</p> <p data-bbox="1082 725 1505 754">Due Date: 30 January 2026</p>
IR3	The Council could sample test KPI accuracy periodically to complement its existing benchmarking and performance monitoring processes. This would provide independent validation of reported outcomes and enhance confidence in decision-making.	Improvement economy, efficiency and effectiveness (page 33)	<p data-bbox="1082 879 2426 1042">Actions: Management teams across the Council will ensure that KPI data is of good quality, and this is also subject to oversight through quarterly performance reporting. In addition, although not the focus of the reviews, internal audit will continue to examine aspects of data quality as part of individual audit assignments, and report on these as necessary.”</p> <p data-bbox="1082 1061 1794 1090">Responsible Officer: CLT leads for respective KPIs</p> <p data-bbox="1082 1108 1461 1137">Due Date: 31 March 2026</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR4 57	The Council should continue embedding the contract management framework, strengthen oversight mechanisms, and ensure follow-up audits confirm that improvements are sustained. The current arrangements are developing but not yet mature to ensure effective contract management assurance.	Improvement economy, efficiency and effectiveness (page 34)	<p>Actions: The Council is reviewing and enhancing its approach to contract management, recognising some of the concerns noted in internal audit reports over the past year, as well as recognising the opportunity for savings that can arise from a more enhanced approach. A procurement board is being created to oversee procurement and contract management across the Council, as well as being considered regularly at DLT level.</p> <p>Responsible Officer: Chief Finance Officer, Head of Procurement</p> <p>Due Date: 31 March 2026</p>

06 Follow up of previous Key recommendations

58

Follow up of 2023/24 Key recommendations

50	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	<p>The Council must consider a realignment of priorities to coincide with securing financial sustainability. This may involve making politically unattractive or undesirable decisions in the interest of the Authority's future viability. The Council must put effort toward exploring all opportunities for increasing income from fees and charges, potential fundraising opportunities, service transformation which may include significantly drawing back services to the statutory minimum, revision of policy priorities to ensure alignment with financial sustainability, reallocation of earmarked reserves, asset sales and alternative means of cost avoiding or income generating in order to bridge the 2025/26-2027/28 budget and address the current forecast overspend for 2024/25.</p>	2022/23	<p>Actions: The Budget Update reports to September Cabinet and the November joint Scrutiny meeting set out the budget process and approach for 2025/26 and the component parts of the process including:</p> <ul style="list-style-type: none"> - Capital Programme Board review of affordability - Consideration of fundraising opportunities and, more importantly, flexible use of available funds in 2025/26 - The use of Outline Business Cases. The 2025/26 process is also focused on longer-term transformation and invites Outline Business Cases to support sustainable change over the Medium-Term Financial Plan period. <p>The LGA have also been invited to provide peer support and challenge to the process including providing the council with sector-wide learning and best practice opportunities that it has not already implemented. The 2025/26 budget will also include provision for Transformation using 'capital receipt flexibilities' and will set out a Reserve Strategy over the 4-year period</p> <p>Responsible Officer: Chief Finance Officer</p> <p>Executive Lead: Cabinet Member for Finance & City Regeneration</p> <p>Due Date: The outcomes of the above processes will feed into the budget and MTFS package for approval by Cabinet on 13 February 2025.</p>	Limited progress made	Yes. Updated Key Recommendation on page 37

Follow up of 2023/24 Key recommendations (continued)

Prior Recommendation	Raised	Progress	Current status	Further action
KR2 The Council should: * formally report to members on the progress to date on the recommendations raised by the KC report on the City Clean Service * undertake a lesson learnt exercise to establish why these behaviours were able to go unchecked for so long and if improvements might be applicable to other service areas.	2023/24	<p>The Council has undertaken measures to address the toxic culture and operational failures within the City Clean (now Environmental Services) department including a Culture Change Programme.</p> <p>A detailed public report presented to Cabinet in May 2025, outlined progress on KC recommendations and ongoing challenges.</p> <p>The Cabinet report includes reflection on why behaviours went unchecked, referencing historical political vulnerabilities, union dynamics, and lack of managerial support.</p> <p>However countercultural behaviours persist among a small group, and the Council acknowledges that full cultural change may take 2–5 years to embed.</p>	Partially implemented	<p>Yes.</p> <p>Updated Key recommendation on page 38.</p>

Follow up of 2023/24 Key recommendations (continued)

Prior Recommendation	Raised	Progress	Current status	Further action
<p>19</p> <p>KR3</p> <p>The Council should address the failings raised by the Social Housing Regulator, including:</p> <ul style="list-style-type: none"> * electrical safety requirements * meeting legal requirements for smoke detectors in all homes * providing an effective and efficient, and timely repairs and maintenance service for its homes. <p>Progress should be reported to Cabinet in a public meeting, every six months..</p>	<p>2023/24</p>	<p>The Council has made progress and embedded actions into its 2025/26 Action Plan, but full implementation remains in progress and will extend into 2026.</p> <p>There has been strong progress—such as electrical safety compliance improving to 87.1%, smoke detector coverage reaching 98.9%, and the repairs backlog halving—the Council will not achieve full compliance on electrical testing and repairs until December 2026 and December 2025, respectively .</p> <p>The Council has met the requirement to report progress publicly every six months, with Cabinet updates in May 2025 and a further report scheduled for November 2025 .</p> <p>However, the original failings have not been fully resolved and systemic improvements are still in progress.</p>	<p>Partially implemented</p>	<p>Yes.</p> <p>Updated Key recommendation on page 39</p>

07 Appendices

62

Appendix A: Responsibilities of the Council

89

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

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

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

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council's Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.



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

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council's arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year

Key performance and risk management information reported to the Executive or full Council

Interviews and discussions with key stakeholders

External review such as by the LGA, CIPFA, or Local Government Ombudsman

Progress with implementing recommendations

Regulatory inspections such as from Ofsted and CQC

Findings from our opinion audit

Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

Prior Recommendation	Raised	Progress	Current position	Further action
<p>65</p> <p>IR1</p> <p>The Council should continue to work with schools to address school deficits and overspending across the DSG schools' budget.</p>	2023/24	<p>The Council has put in place a wide and urgent programme of work with the school leadership community to address School Organisation issues and falling roll numbers, one of the principal causes of schools' financial challenges locally. Limited but necessary closures have been implemented, potential site mergers and federation model considerations are in discussion for some schools and consultation has started on a new School Admissions policy and approach that also aims to re-balance Secondary Phase Published Admission Numbers (PANs) to align with the Admissions Policy. Additional Finance and Education advisory support has been provided to support schools to identify cost reduction and restructuring opportunities including bringing in independent DfE School Resource Management Advisers (SRMA) to help schools experiencing deficits.</p>	Not implemented as work ongoing	Yes

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
99	Given the Brighton i360's challenging financial position, the future financing of the operation and its impact on the Council's financial position should be reported to Members as soon as practicably possible.	IR2 2023/24	The company administration process is now progressing and the council will formally report to members when a conclusion is reached and a course of action, for example sale of the business, is recommended by the Administrators. January 2025 Cabinet received a report on the outcome of the Administration which stated that the proposed disposal of the asset to the preferred bidder will mean the net debt of £51.040 million is unrecoverable. The council is currently writing down this debt over the original loan period ending in 2041 and anticipates to continue to do to ensure the financial stability of the council. This assumption will have oversight from the external auditors as part of the audit of the 2024/25 financial statements.	Implemented	None
	Having received 500 equal pay claims in relation to the recent media coverage, the Council should seek to establish the potential legal and financial risks posed by the claims, if any.	IR3 2023/24	Process ongoing	Not implemented as work ongoing	Yes

Appendix C: Follow up of 2023/24 improvement recommendations

Prior Recommendation	Raised	Progress	Current position	Further action
IR4 The Council should develop an overarching approach which brings together its savings plans, covering more than one year and includes the Council's modernisation activities to ensure a focus on delivery of cashable savings.	2023/24	The Council is developing a 4-year Medium Term Financial Strategy that aims to achieve balance across the 4-year period. This will include a new 'Transformation Fund' supported by capital receipt financing that will enable invest-to-save initiatives to be supported. The current budget setting process includes Outline Business Case templates to enable identification of invest-to-save proposals and the associated resource requirements for delivery.	Not implemented as work ongoing	Yes
IR5 The Council should ensure that it consults with residents and businesses as part of the budget setting process.	2023/24	The Council developed an on-line 'Budget Simulator' that enabled residents and other stakeholders to make their own attempt to balance the council's budget by making choices about which service areas they would reduce or increase spending to close the budget gap. This is hosted on the council's consultation and engagement platform 'Your Voice' and will be accompanied by a facilitated public event at Hove Town Hall on 12 December 24 and a further community-focused event on 16 January. 2025.	Implemented	None
IR6 The Council should consider introducing a summary of the key risks within Cabinet and committee reports.	2023/24	While risk issues are being identified and discussed in Cabinet and Committee settings, they are presented piecemeal—within financial/risk implications or through councillor questioning—rather than through a consistent, visible "key risks" summary in every report.	Not implemented as work ongoing	Yes

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
89	IR7 The Council should continue to ensure that its partnerships are aligned to its Council Plan priorities and ensure that each partnership clearly contributes to defined outcomes within the Council Plan.	2023/24	The refreshed Council Plan 2023–27 strongly emphasises partnership working across all four strategic outcomes, but the governance mechanism (partnership register, alignment tracking, and performance reporting) is still in development.	Not implemented as work ongoing	Yes
90	IR8 The Council should: <ul style="list-style-type: none">update its Corporate Procurement Strategy to reflect the procurement Act 2023 requirements and any other updates as requiredreport to members the number and value of contract waivers on a regular basis.	2023/24	While the Council has made progress by updating its Contract Standing Orders (CSOs) to reflect the Procurement Act 2023 and embedding a Procurement Forward Plan approved by Cabinet, the recommendation remains partially implemented. Therefore, the criteria is rated amber because: Key elements of the recommendation are in progress but not yet complete. The current arrangements are broadly adequate for compliance, but strategic and transparency gaps remain that need to be addressed before the recommendation can be closed.	Not implemented as work ongoing	Yes

© 2025 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

