

Audit & Standards Committee

Date: **27 June 2023**

Time: **4.00pm**

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

Members: **Councillors:** West (Chair), Robinson (Opposition Spokesperson), Atkinson, Burden, Cattell, Czolak, Daniel and Meadows

Independent Persons: Barbara Beardwell, David Bradly and David Gill

Contact: **John Peel**
Democratic Services Officer
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Date of Publication - Monday, 19 June 2023

AGENDA

Part One

Page

1 PROCEDURAL BUSINESS

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

In each case, you need to declare

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

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

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

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

2 MINUTES

7 - 10

To consider the minutes of the meeting held on 18 April 2023.

Contact Officer: John Peel

Tel: 01273 291058

3 CHAIR'S COMMUNICATIONS

4 CALL OVER

- (a) Items 7 - 12 will be read out at the meeting and Members invited to reserve the items for consideration.
- (b) Those items not reserved will be taken as having been received and the reports' recommendations agreed.

5 PUBLIC INVOLVEMENT

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

- (a) **Petitions:** to receive any petitions presented to the full council or at the meeting itself;
- (b) **Written Questions:** to receive any questions submitted by the due date of 12 noon on the 21 June 2023;
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 21 June 2023.

6 MEMBER INVOLVEMENT

To consider the following matters raised by councillors:

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

7 CONSTITUTIONAL MATTERS: AUDIT & STANDARDS COMMITTEE 11 - 18

Report of the Executive Director, Governance, People & Resources

Contact Officer: John Peel

Tel: 01273 291058

Ward Affected: All Wards

8 INTERNAL AUDIT ANNUAL REPORT AND OPINION 2022-23 19 - 52

Report of the Executive Director, Governance, People & Resources

Contact Officer: Carolyn Sheehan

Ward Affected: All Wards

9 COUNTER FRAUD ANNUAL REPORT 2022-23 53 - 62

Report of the Executive Director, Governance, People & Resources

Contact Officer: Carolyn Sheehan

Ward Affected: All Wards

10 FORMAL APPROVAL OF THE ANNUAL GOVERNANCE STATEMENT 2022-2023 63 - 106

Report of the Executive Director, Governance, People & Resources

Contact Officer: Rima Desai

Tel: 01273 291268

Ward Affected: All Wards

11 FINANCIAL MANAGEMENT CODE - SELF ASSESSMENT 107 - 140

Report of the Executive Director, Governance, People & Resources

Contact Officer: Nigel Manvell

Tel: 01273 293104

Ward Affected: All Wards

12 STANDARDS UPDATE 141 - 148

Report of the Executive Director, Governance, People & Resources

Contact Officer: Victoria Simpson

Tel: 01273 294687

Ward Affected: All Wards

13 ITEMS REFERRED FOR COUNCIL

To consider items to be submitted to the 20 July 2023 Council meeting for information.

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

14 ITEMS FOR THE NEXT MEETING

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

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Further information

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

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- Do not re-enter the building until told that it is safe to do so

Brighton & Hove City Council

Audit & Standards Committee

4.00pm 18 April 2023

Council Chamber, Brighton Town Hall

Minutes

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

Independent Persons present: Helen Aston, David Gill

Part One

43 PROCEDURAL BUSINESS

43a Declarations of substitutes

43.1 Councillor Littman was present as substitute for Councillor Shanks.

43b Declarations of interests

43.2 There were none.

43c Exclusion of the press and public

43.3 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.

43.4 **Resolved** - That the press and public not be excluded from the meeting.

44 MINUTES

44.1 **Resolved** – That the minutes of the previous meeting held on 24 January 2023 be approved as the correct record.

45 CHAIR'S COMMUNICATIONS

45.1 The Chair provided the following communications:

“Today is Helen Aston’s last Audit & Standards Committee meeting. So I would like to take the opportunity to acknowledge that and to thank her for her very considerable contribution to this Committee, and to the Council generally, over the last 4 years of her tenure.

The role of Independent Person is a challenging one, which requires a wide-ranging skillset. The Council’s Independent Person’s need to have a clear understanding of the member complaints regime and to be confident when giving a steer to the Monitoring Officer at key points in the process. That steer needs to be clear and pragmatic: sensitive to the nuances of the context and aware of the challenges cllrs are under while being sure to cut through to the key issues raised by complainants. I am informed that Helen’s contribution in relation to complaints has been consistently reliable and clear and that she has been very helpful in the project of reviewing complaints in a fair and even-handed way.

We are lucky here to consistently attract Independent Person’s who are of a very high calibre, notwithstanding the significant time commitment the role entails. The professional skillset Helen has brought to this role has been equally useful in enabling her to apply an educated perspective to the Council’s approach to discharging the core audit functions of this Committee. She has consistently used the understanding she’s acquired in her professional job to review and gently challenge established approaches in the areas reported to the Committee. Her comments have been consistently well-informed, clear and practical. I’m sure that I speak on behalf of all Groups when I wish her well and thank her for her contribution”.

46 CALL OVER

46.1 All items on the agenda were reserved for discussion.

47 PUBLIC INVOLVEMENT

No public representations were received.

48 MEMBER INVOLVEMENT

No items from Members were received.

49 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 3 PROGRESS REPORT 2022/23

49.1 The Committee considered a report of the Executive Director, Governance, People & Resources that provided Members with an update on all internal audit and counter fraud activity completed during quarter 3 (2022/23), including a summary of all key audit findings. The report also included an update on the performance of the Internal Audit Service during the period.

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

49.3 Resolved-

1) That the Committee note the report.

50 INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2023-24

- 50.1 The Committee considered a report of the Executive Director, Governance, People & Resources that provided Members with the Internal Audit Strategy and Annual Audit Plan for 2023/24.
- 50.2 Councillors Meadows, Simson, West, Yates and Littman asked questions and contributed to the debate of the report.
- 50.3 **Resolved-**
- 1) That the Committee approves the Internal Audit Strategy and Annual Audit Plan for 2023/24 and notes the Internal Audit Charter.

51 ANNUAL SURVEILLANCE REPORT 2022

- 51.1 The Committee considered a report of the Executive Director, Governance, People & Resources that appraised the Committee of the activities undertaken utilising the Council's statutory powers to conduct covert surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA) since the last report to Committee in April 2022. The report also introduces an updated Policy and Guidance document for Committee to approve.
- 51.2 David Gill asked questions of the officer during consideration of the item.
- 51.3 **Resolved-**
- 1) That Committee approves the continued use of covert surveillance as an enforcement tool to prevent and detect crime and disorder investigated by its officers, providing the activity is in line with the Council's Policy and Guidance and the necessity and proportionality rules are stringently applied.
 - 2) That Committee notes the surveillance activity undertaken by the authority since the report to Committee in April 2022 as set out in paragraph 3.3
 - 3) That Committee approves the continued use of the Policy and Guidance document as set out in Appendix 1 in its amended form.

52 STANDARDS UPDATE

- 52.1 The Committee considered a report of the Executive Director, Governance, People & Resources that provided an update on Standards-related matters, including regarding complaints received in alleging that Members have breached the Code of Conduct for Members.
- 52.2 Councillors Littman, West, Meadows, Simson and Yates asked questions and contributed to the debate of the report.
- 52.3 **Resolved-**

- 1) That the Committee notes the report.

53 ITEMS REFERRED FOR COUNCIL

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

54 ITEMS FOR THE NEXT MEETING

- 51.1 No items were requested for the next meeting.

The meeting concluded at 5.30pm

Signed

Chair

Dated this

day of

Brighton & Hove City Council

Audit & Standards Committee

Agenda Item 7

Subject: Constitutional Matters

Date of meeting: 27 June 2023

Report of: Executive Director, Governance, People & Resources

Contact Officer: Name: John Peel
Tel: 01273 291058
Email: john.peel@brighton-hove.gov.uk

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 To provide information on the Audit & Standards' Committee's terms of reference and to seek this Committee's formal approval to the appointment of a Standards Panel in the terms outlined.

2. Recommendations

2.1 That the committee's terms of reference, as set out in Appendix 1 to this report, be noted; and

2.2 That the Committee formally approve the establishment of a Standards Panel in accordance with the terms of reference proposed in Appendix 1, and in accordance with the procedure described at para 3.9 of this Report for the Panel's composition; and

2.3 That the Committee give the Monitoring Officer delegated authority to make any changes to the Procedure for Dealing with Allegations of Breaches of the Code of Conduct for Members and related documents considered necessary to enact recommendation 2.2 above.

3. Context and background information

3.1 Article 6 of the Council's Constitution incorporates a schedule of all the Committees/Sub-committees established in the current Constitution together with a summary of their respective functions.

The Audit & Standards Committee– Terms of Reference

3.2 A copy of the terms of reference for this Committee is attached in Appendix 1. These should be read in the context of the 'Introduction and General Delegations' included in the Scheme of Delegations to Committees and Sub-Committees at [part 4 of the constitution](#).

Membership

- 3.3 The membership of the committee is set at 8 Members of the council and 3 Independent Persons, appointed as non-voting co-optees.
- 3.4 The arrangements for substitute Members to attend meetings of Committees/Sub-Committees, are set out in the Council Procedure Rules at part 3.2 of the Council's Constitution, at Rules [18.14 to 18.25](#).

Programme Meetings

- 3.5 Ordinary meetings of the Audit & Standards Committee are scheduled to take place on the following dates during 2023/24:

27 June 2023
26 September 2023
30 January 2024
16 April 2024

- 3.6 Meetings of the Committee will normally be held at Hove Town Hall and will start at 4.00 p.m.

Confirmation of the appointment of a Standards Panel

- 3.7 The terms of reference of the Audit & Standards Committee refer also to the establishment of a Standards Panel. This has the status of a Sub-Committee of the Audit & Standards Committee and its terms of reference permit it to carry out a key role by performing Standards-related functions delegated to the Panel by this Committee. Those Standards-related functions include sitting as a Panel in accordance with the procedures in place at this Council for determining allegations of misconduct by members. The Panel is convened as and when required and reflects political balance requirements.
- 3.8 This Committee is recommended to confirm its agreement to the establishment of a Standards Panel to carry out such Standards functions as this Committee delegates to it. This shall include the task of determining allegations of breaches of the Code of Conduct for Members in accordance with the Council's arrangements.
- 3.9 The Standards Panel shall meet the political balance requirements and – in accordance with this Committee's delegated powers to determine the Panel's procedures – Committee is asked to agree that it shall be comprised of between three and five elected members. Those members shall be drawn from a pool of those members who have received Standards Panel training from or as directed by the Council's Monitoring Officer. It is proposed that while preference when appointing a Panel be given to members appointed to the Audit & Standards Committee who have received the above training, members not appointed to this Committee may also form part of a Standards Panel, provided that they have undertaken the above training. If this proposal is agreed, then the Procedure for dealing with

member complaints and other relevant documents will need to be updated accordingly. The Panel shall also include one of the Council's Independent persons, who shall act as the Panel's Chair on a non-voting basis.

- 3.10 As well as giving its formal approval to the establishment of a Standards Panel, the Committee is asked to note a separate matter, namely the provision in the Constitution for each Committee of the Council to appoint an Urgency Sub-Committee to exercise its powers in matters of urgency on which it is necessary to make a decision before the next ordinary meeting of the Committee. While each of the Council's Service Committees are being asked to appoint such a Sub-Committee in case any urgent business arises between scheduled meetings, there is not at the current time considered to be a need for the Audit & Standards Committee to do so.

4. Analysis and consideration of alternative options

- 4.1 The council's Constitution provides that Committees appoint their own sub-committees and urgency sub-committees. While Committee could elect not to follow the proposals outlined here, failing to appoint a Standards Panel would be contrary to the wishes of the Council and is not therefore regarded as a viable alternative option.

5. Community engagement and consultation

- 5.1 All Members considered and approved the allocation of seats to Committees and Sub Committees and the Terms of Reference of new Committees on 25th May 2023.

6. Conclusion

- 6.1 The recommendations are being put forward in line with the requirements of the constitution.

7. Financial implications

- 7.1 There are no direct financial implications arising from the recommendations of this report. The financial implications associated with forming and managing Standards Panels will be met from existing resources.

Name of finance officer consulted: Jeff Coates Date consulted: 06/06/2023

8. Legal implications

- 8.1 No legal implications have been identified other than those referred to in the body of the Report.

Name of lawyer consulted: Victoria Simpson Date consulted: 14/06/2023

9. Equalities implications

- 9.1 There are no equalities implications arising from the report.

10. Sustainability implications

10.1 There are no sustainability implications arising from the report.

Supporting Documentation

1. Appendices

1. Audit & Standards Committee and Standards Panel Terms of Reference

AUDIT & STANDARDS COMMITTEE

Explanatory Note

The audit functions of this Committee relate to the Council's arrangements for the discharge of its powers and duties in connection with financial governance and stewardship, risk management and audit. It plays a key role in acting as a critical friend to the Council and in helping to build trust in the Council's arrangements. The Committee receives referrals from and makes recommendations to the Council, from/to Policy & Resources Committee, to Officers or to other relevant body within the Council.

The Standards functions of this Committee seek to ensure that the Members, Co-opted Members and Officers of the Council observe high ethical standards in performing their duties. These functions include advising the Council on its Codes of Conduct and administering related complaints and dispensation procedures.

In addition to the Members who serve on the Audit & Standards Committee, the Committee includes at least two independent persons who are not Members. They are appointed under Chapter 7 of the Localism Act, or otherwise co-opted, and act in an advisory capacity with no voting powers.

In the terms of reference of this Committee, a "Member" is an elected Member and a "Co-opted Member" is a person co-opted by the Council, for example to advise or assist a Committee or Sub-Committee of the Council.

General Audit and Standards Delegated Functions

To review such parts of the Constitution as may be referred to the Committee by the Policy & Resources Committee and to make recommendations to the Policy & Resources Committee and the Council.

To appoint, co-opt or (in any case where only the Council has power) to recommend the appointment or co-option of a minimum of two independent persons:

- to give general assistance to the Committee in the exercise of its functions; and
- to give views on allegations of failure to comply with a Code of Conduct as required by Chapter 7 of the Localism Act 2011.

To:

- review and agree the Council's whistleblowing policy;
- have an overview of complaints handling and Local Ombudsman investigations;
- review and agree activity, policy and guidance in relation to the Regulation of Investigatory Powers Act 2000.

To deal with any audit or ethical standards issues which may arise in relation to partnership working, Joint Committees and other Local Authorities or bodies.

To oversee the Council's information governance arrangements*. This will include oversight of those of the Council's policies, procedures and processes which concern information governance and which operate across the Council's internal and external-facing activities.

To ensure arrangements are made for the training and development of Members, Co-opted Members and Officers on audit, ethical and probity matters, including Code of Conduct issues.

To support and advise the Chief Finance Officer and the Monitoring Officer in their statutory roles.

**NOTE: The Strategy, Finance & City Regeneration Committee has concurrent delegated powers in respect of Information Governance.*

Delegated Audit Functions

To carry out independent scrutiny and examination of the Council's financial and non-financial processes, procedures and practices to the extent that they affect the Council's control environment and exposure to risk, with a view to providing assurance on the adequacy and effectiveness of:

- the work of internal and external audit;
- the governance arrangements of the Council and its services;
- the risk management and performance management frameworks and the associated control environment;
- the arrangements to secure value for money;
- the financial management process;
- arrangements for the prevention and detection of fraud and corruption.

To meet the requirements of the Accounts and Audit Regulations 2015 in respect of:

- conducting an annual review of the effectiveness of the system of internal control;
- conducting an annual review of the effectiveness of internal audit;
- reviewing the outcome of annual review of governance arrangements and approving the Annual Governance Statement, ensuring it contains any actions for improvement; and
- considering and approving the Council's annual Statement of Accounts.

To consider the External Auditor's Annual Audit Plan, Audit Results Report, Annual Audit Letter and other relevant reports.

To consider and agree the Internal Strategy and Annual Audit Plan, Head of Internal Audit's Annual Internal Audit Report including Opinion, periodic progress reports and other relevant internal audit reports.

To consider and agree the Head of Internal Audit's Annual Fraud & Corruption Report and consider and approve the Council's Counter Fraud Strategy.

Delegated Standards Functions

To advise the Council on the adoption, revision or replacement of Codes of Conduct for (a) Members and Co-opted Members and (b) Officers;

To exercise all other functions of the Council in relation to ethical standards, in particular those under Chapter 7 of the Localism Act, including the following:

- promoting and maintaining high standards of conduct within the Council and monitoring the operations of the Council's Codes of Conduct and registers of interests;
- in relation to allegations that a Member or Co-opted Member has failed to comply with the Member's Code of Conduct, putting in place arrangements to investigate and make decisions;
- supporting the Monitoring Officer in the exercise of the Monitoring Officer's ethical standards functions, in particular the duty to establish and maintain registers of interests for the Council and for Rottingdean Parish Council;
- in relation to Members or Co-opted Members with pecuniary interests, putting in place arrangements to grant dispensations, in appropriate cases, from the restrictions on speaking and/or voting.

NOTE: With the exception of the adoption, revision or replacement of the Codes of Conduct referred to above, the Audit and Standards Committee may develop and adopt its own procedures and protocols.

STANDARDS PANEL

Explanatory Note

The Standards Panel of the Audit and Standards Committee is a Sub-Committee and its main role is to carry out any functions delegated to it by the Audit and Standards Committee in relation to (a) allegations that Members or Co-opted Members have breached the Code of Conduct for Members and (b) the granting of dispensations to Members or Co-opted Members with pecuniary interests. Panel membership is determined in accordance with procedures approved by the Audit and Standards Committee.

Delegated Functions

In accordance with procedures approved by the Audit and Standards Committee:-

1. To carry out any arrangements delegated to the Panel by the Audit and Standards Committee in connection with investigating and making decisions on allegations that a Member or Co-opted Member has failed to comply with the Code of Conduct.
2. To hear and determine applications from Members or Co-opted Members with pecuniary interests and in appropriate cases to grant dispensations from the restrictions on speaking and/or voting at meetings of the Council, its Committees, Sub-Committees, Joint Committees or Joint Sub-Committees.
3. To discharge any of other functions of the Audit and Standards Committee which the Committee delegates to the Standards Panel.

Brighton & Hove City Council

Audit & Standards Committee

Agenda Item 8

Subject: Internal Audit Annual Report and Opinion 2022-23

Date of meeting: 27 June 2023

Report of: Executive Director of Governance, People and Resources

Contact Officer: Name: Carolyn Sheehan (Audit Manager)
Tel: 07795 335692
Email: carolyn.a.sheehan@brighton-hove.gov.uk

Name: Russell Banks (Chief Internal Auditor)
Tel: 07824 362739
Email: russell.banks@eastsussex.gov.uk

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 The purpose of this report is to give an opinion on Brighton and Hove City Council's control environment for the year from the 1 April 2022 to 31 March 2023.

2. Recommendations

2.1 That Committee note the Internal Audit Service's opinion on the Council's control environment (Appendix 1)

2.2 The Committee agrees that the Council's system for internal audit has proved effective during 2022/23

3. Context and background information

3.1 The purpose of this report is to give an opinion on the adequacy of Brighton and Hove City Council's control environment as a contribution to the proper economic, efficient, and effective use of resources. The report covers the audit work completed in the year from 1 April 2022 to 31 March 2023 in accordance with the Internal Audit Strategy for 2022/23.

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

environment, risk management arrangements and governance framework to support the Annual Governance Statement.

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

4. Analysis and consideration of alternative options

- 4.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide reasonable assurance that Brighton and Hove City Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2022 to 31 March 2023.
- 4.2 This opinion and the evidence that underpins it, is further explained in the full Internal Audit Annual Report and Opinion which forms Appendix 1 of this report.
- 4.3 The report highlights key issues for the year, including a summary of all audit opinions provided, key financial systems and other internal audit activity in Appendix 3.
- 4.4 There is a separate report of Counter Fraud activity to be presented alongside this report.
- 4.5 A summary of the major findings from audit reviews completed during quarter 4 of 2022/23 is included in Appendix 4. Major findings from previous quarters have already been reported to Audit and Standards Committee.
- 4.6 Finally, Appendix 2 of the annual report sets out details of internal audit performance for the year, including details of compliance against the relevant professional standards.

5. Community engagement and consultation

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

6. Conclusion

- 6.1 The committee is recommended to note the Internal Audit Service's opinion on the Council's control environment, consider whether there are any significant issues that should be included in the Council's annual governance statement for 2022/23 and consider whether the Council's system for internal audit has proved effective.

7. Financial implications

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

Name of finance officer consulted: James Hengeveld Date consulted (02/06/23)

8. Legal implications

- 8.1 The Accounts and Audit Regulations (England) 2015 require that the findings of the effectiveness review be considered by Council or one of its committees. The Audit and Standards Committee is the Council's designated committee for this purpose.

Name of lawyer consulted: Victoria Simpson Date consulted 05/06/23

9. Equalities implications

- 9.1 None

10. Sustainability implications

- 10.1 None

Supporting Documentation

Appendices

1. Annual Report and Opinion 2022/23
2. Performance Indicators 2022/23
3. Summary of Opinions for Reports Issued During 2022/23
4. Internal Audit Work Completed in Quarter 4 2022/23

INTERNAL AUDIT ANNUAL REPORT & OPINION 2022/2023



**Brighton & Hove
City Council**

1. Internal Control and the Role of Internal Audit

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

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

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

2. Delivery of the Internal Audit Plan

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

2.2 During 2022/23, we have continued to see government grants that needed to be certified by Internal Audit, some of which were specific to supporting the City Council through and following the pandemic.

2.3 All adjustments to the audit plan were agreed with the relevant departments and reported throughout the year to the Audit & Standards Committee as part of our periodic internal audit progress reports. It should be noted that whilst there were a number of audit reports still in draft at the year-end, the outcomes from this work have been taken into account in forming our annual opinion. Full details of these audits will be reported to the Audit & Standards Committee once each has been finalised with management.

3. Audit Opinion

3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide Reasonable (1) Assurance that Brighton & Hove City Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2022 to 31 March 2023.

3.2 Further information on the basis of this opinion is provided below. Overall, whilst the majority of audit opinions issued in the year were generally positive, internal audit activities have identified a number of areas where the operation of

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

internal controls has not been fully effective, including one instance, in the key area of Direct Payments, where the organisation has failed to ensure sufficient improvement has been made in response to previously identified areas of weakness. In addition to this, management also requested that our planned follow up review of Surveillance Cameras be deferred to 2023/24 due to the need for further time to implement the previously agreed actions.

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

3.4 Where improvements in controls are required as a result of any of our work, we have agreed appropriate remedial action with management.

3.5 In addition to specific audit reviews, we undertake regular liaison activity with all directorates to understand emerging pressures and risk areas and amend our plan of work accordingly. This process provides additional assurance that the audit plan remains current and focused on the highest areas of risk.

4. Basis of Opinion

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

- All audit work completed during 2022/23, planned and unplanned;
- Follow-up of actions from previous audits;
- Management's response to the findings and recommendations;
- Ongoing advice and liaison with management, including regular attendance by the Chief Internal Auditor and Audit Managers at organisational meetings relating to risk, governance, and internal control matters;
- Effects of significant changes in the Council's systems;
- The extent of resources available to deliver the audit plan;
- Quality of the Internal Audit service's performance.

4.2 Whilst no direct limitations have been placed on the scope of Internal Audit during 2022/23, at the request of management we agreed to only complete follow up audit reviews within the Housing Service and to defer larger audits to 2023/24. This was in recognition of the fact that housing services were significantly impacted by Covid-19 pandemic and by deferring audits we have allowed time for officers to address known areas for improvement.

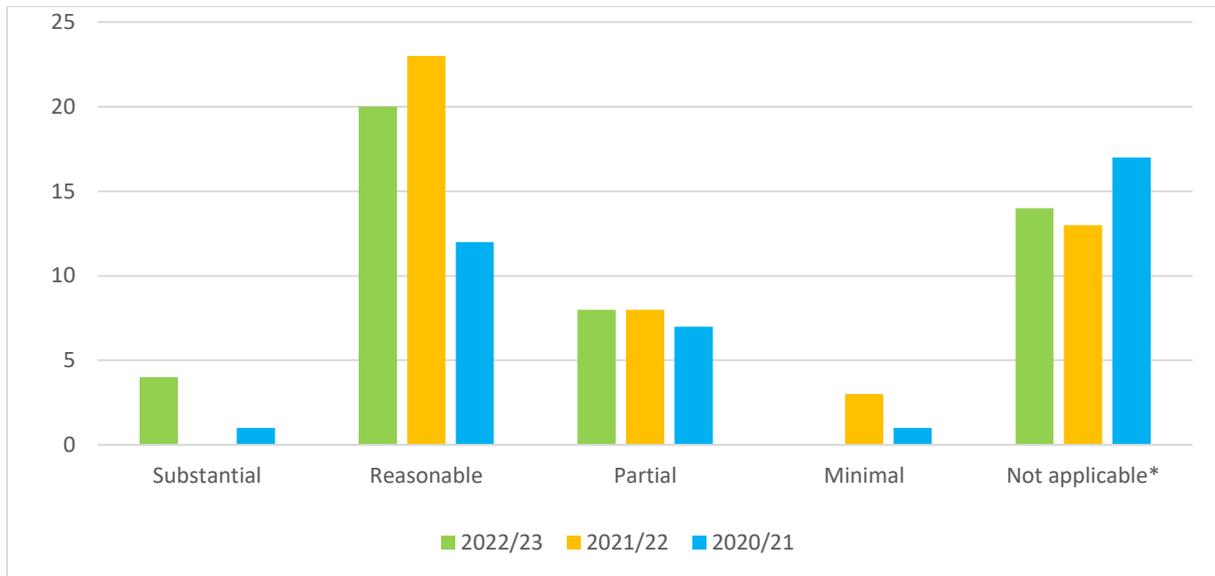
5. Key Internal Audit Issues for 2022/23

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

5.2 The internal audit plan is delivered each year through a combination of formal reviews with standard audit opinions, direct support for projects and new system initiatives, investigations, grant audits and ad hoc advice. The following graph

provides a summary of the outcomes from all audits finalised over the past three years:

Audit Opinions 2020/21 to 2022/23



*Not applicable: Includes grant certifications and audit reports where we did not give a specific audit opinion.

5.3 A full listing of all completed audits and opinions for the year 2022-23 is included at Appendix 3, along with an explanation of each of the assurance levels.

5.4 Whilst it is pleasing to report that no minimal assurance opinions were issued during the year, as can be seen in the above graph, a total of eight audits received partial assurance opinions as follows:

- Housing Rents;
- Direct Payments (follow up);
- Adult Social Care Financial Assessments;
- School Meals Contract;
- Officers Declarations of Interest Gifts and Hospitality;
- Health and Safety;
- Downs View School;
- Queens Park School.

5.5 Whilst actions arising from these reviews will be followed up by Internal Audit, either through specific reviews or via established action tracking arrangements, it is important that management take prompt action to secure the necessary improvements in internal control.

5.6 With regard to Direct Payments, it is necessary to highlight that this is now the third consecutive occasion where our follow up audit work has identified an inadequate level of improvement in internal control since our original review in 2019/20 resulted in minimal assurance. As mentioned above, it is of concern that

insufficient activity has taken place to achieve improvements in this area and something therefore that the organisation should closely monitor.

5.7 We would also like to highlight that during the course of our work resourcing challenges have been raised with us in several areas by management. This has had the impact of slowing down implementation of agreed actions, requests for audit reviews to be delayed or deferred and challenges in agreeing audit actions. We also understand that some of these issues have been further compounded by the pandemic, increased demand on services and by ongoing financial pressures.

5.8 In summary, although we have concluded Reasonable Assurance for 2022/23, there remains a clear need for further improvement in the control environment, especially in terms of areas identified within this report and also generally in terms of prompt implementation of actions to address known weaknesses.

Key Financial Systems

5.9 Given the substantial values involved, each year a significant proportion of our time is spent reviewing the Council's key financial systems, both corporate and departmental. Of those completed during 2022/23, all of these have resulted in reasonable assurance being provided over the control environment, with the exception of Housing Rents which received partial assurance.

5.10 Although the last audit of Payroll concluded reasonable assurance, we are aware that there are now significant issues associated with payroll that need urgent action to resolve. We understand that management are aware of these issues and are working to improve the control environment and quality of data. The payroll system will be subject to a full review as part of our agreed 2023/24 audit plan.

Housing Audits

5.11 During 2022/23, Internal Audit has carried out a number of follow up audits of housing related areas within the Housing Neighbourhoods and Communities Directorate as follows:

- Housing Management System (follow up);
- Housing Repairs Service (follow up);
- Temporary Accommodation (follow up).

5.12 We were able to complete the Housing Management System follow up to final report stage whilst both Housing Repairs and Temporary Accommodation were at the draft report stage at the end of quarter 4. It is pleasing to report that although these two follow ups await finalisation, we have been able to see improvements in the controls in all three areas which are all likely to result in reasonable assurance opinions.

Other Internal Audit Activity

5.13 During the year, Internal Audit have continued to provide advice, support, and independent challenge to the organisation on risk, governance, and internal control matters across a range of areas. These include:

- Orbis Customer Board/DMT/Finance & Resources Lead Business Partners Meetings;
- Governance Assurance Meetings;
- Whistleblowing Co-ordination Meetings;
- Information Governance Board;
- Enterprise Resource Planning Programme Board;
- Housing Repairs Works Management System Replacement Board.

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

Anti-Fraud and Corruption

5.15 During 2022/23, the Internal Audit Counter Fraud Team continued to deliver both reactive and proactive fraud services across the organisation. Details of all counter fraud and investigatory activity for the year, both proactive and reactive, have been summarised within a separate Counter Fraud Annual Report due to be presented alongside this Internal Audit Annual Report. Where relevant, the outcomes from this work have also been used to inform our annual internal audit opinion and future audit plans.

Amendments to the Audit Plan

5.16 In accordance with proper professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management, the following reviews were added to the original audit plan during the year:

- Highways Contract Management;
- Adult Social Care – Service Agreements in Brokerage;
- Budget Management – Savings Targets;
- CIPFA Financial Management Code;
- Test and Trace Support Payment Grant;
- SOGU Universal Drug Treatment Grant;
- Bio Diversity Net Gain Grant.

5.17 In order to allow these additional activities to take place, the following audits have been removed or deferred from the audit plan and, where appropriate, will be considered for inclusion in future audit plans as part of the overall risk assessment completed during the annual audit planning process. These changes have been

made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits:

- Early Help Services;
- Information Governance (Subject Access Request and Freedom of Information Reporting Arrangements);
- Surveillance Cameras;
- Kofax IT Application;
- Residential Care Procurement.

6. Internal Audit Performance

6.1 Public Sector Internal Audit Standards (PSIAS) require the Internal Audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2022/23, including the results of our latest independent PSIAS assessment, an update on our Quality Assurance and Improvement Programme and the year end results against our agreed targets.

PSIAS

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

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

6.3 As reported to Audit Committee in January 2023, Orbis Internal Audit has been assessed as achieving the highest level of conformance available against professional standards, with no areas of non-compliance identified.

Key Service Targets

6.4 Performance against our previously agreed service targets is set out in Appendix 2. Overall, client satisfaction levels remain high, demonstrated through the results of our post audit questionnaires, discussions with key stakeholders throughout the year and annual consultation meetings with Chief Officers.

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

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

Internal Audit Performance Indicators 2022/23

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee (2022/23)	By end April	G	Approved by Audit & Standards Committee on 19 April 2022.
	Annual Audit Report and Opinion (2021/22)	By end July	G	2021/22 Annual Report and Opinion approved by Audit & Standards Committee on 28 June 2022.
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	90.1%
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	<p>External Quality Assurance completed by the Institute of Internal Auditors (IIA) in December 2022. Orbis Internal Audit assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary the service was assessed as:</p> <ul style="list-style-type: none"> Excellent in:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				Reflection of the Standards Focus on performance, risk and adding value <ul style="list-style-type: none"> • Good in: Operating with efficiency Quality Assurance and Improvement Programme • Satisfactory in: Coordinating and maximising assurance
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified.
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	G	100% for high priority agreed actions
Our staff	Professionally Qualified/Accredited	80%	G	93%

Appendix 3

Summary of Opinions for Internal Audit Reports Issued During 2022/23

Substantial Assurance:

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

Audit Title	Department
Treasury Management	GPR
Risk Management	GPR
Post Brexit Information Governance	GPR
IT Asset Procurement (Value for Money)	GPR

Reasonable Assurance:

Audit Title	Department
Payroll	GPR
School Attendance	FCL
Council Tax	GPR
Accounts Receivable (Debtors)	GPR
IT & D Strategic and Operational Risk Management	GPR
Network Access Management (follow up)	GPR
Care Payments	HASC
Revenue Budget Management	GPR
Highways Contract Management	EEC
City Clean External Contracts and Commercial Activities (follow up)	EEC
Adult Social Care (In-house Services)	HASC
MetaCompliance IT Application	GPR
Housing Management System (follow up)	HNC
Public Sector Bodies Accessibility Regulations	GPR
Cyber Security	GPR
Home to School Transport	FCL
Procurement Compliance (follow up)	GPR
Members Declarations of Interest, Gifts & Hospitality	GPR
Revenue Collection and Banking	GPR
Patcham High School	FCL

Partial Assurance:

Audit Title		Department
Housing Rents		HNC
Queens Park Primary School		FCL
Downs View School		FCL
ASC Financial Assessments		HASC
School Meals Contract Management		FCL
Officers Declarations of Interest, Gifts and Hospitality		GPR
Health and Safety		GPR
Direct Payments (follow up)		HASC

Minimal Assurance:

Audit Title	Department
None	N/A

Grant Claims

Audit Title	Department
Test and Trace Support Payments	HASC
Contain Outbreak Management	HASC
Test and Trace Grant	HASC
SOGU Universal Drug Treatment Grant	HASC
Transport Capital Grant	EEC
Bus Service Support Grant	EEC
Bio Diversity Net Gain Grant	EEC
Adult Weight Management (2 claims)	HASC
EU Interreg – Solarise (2 claims)	HNC
EU Interreg – Blueprint for a Circular Economy (2 Claims)	EEC

Other Audit Activity Undertaken During 2022/23

Activity Title	Department
Housing Repairs Works Management System Replacement Programme	HNC
Enterprise Resource Planning Programme	GPR

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.

Internal Audit work completed in Quarter 4 2022/2023 (January to March 2023)

Direct Payments (follow up)

Direct payments are made to individuals to meet some or all of their eligible health care and support needs. The legal framework is set out in the Care Act, Section 117(2C) of the Mental Health Act 1983 and the Care and Support (direct payments) Regulations 2014. Direct payments allow clients to procure their own care rather than receiving service provision arranged directly by the Council.

This audit was to follow up on the previous Direct Payments review that concluded Partial Assurance, with the objective of providing assurance that actions have been implemented and that effective control arrangements are now in place to ensure funds have been paid and accounted for correctly and used for their intended purpose.

Unfortunately, our work identified that limited progress has been made in implementing previously agreed actions and we have therefore only been able to provide **Partial Assurance** over the control environment. This is now the third occasion where we have conducted a follow up in response to the 2019/20 Minimal Assurance audit and all in all cases, only Partial Assurance could be provided.

The primary reason for these opinions relates to the delays in completing annual direct payment reviews in accordance with the Care and Support (Direct Payments) regulation 2014 that states that the Local Authority must review direct payments initially within 6 months and thereafter every 12 months. Therefore, in order to address these issues, the following improvement activities have been identified:

- The deployment of additional resources to complete the direct payment reviews and develop a plan to complete reviews over 2023/24 with clear targets that are reported to the Board;
- The implementation of dashboard and tracking/flagging system to monitor direct payment accounts;
- Documenting a procedure for handling identified direct payment reviews;
- For contracted direct payment services, a decision will be agreed on the tolerance of risk the Council is willing to accept for 2023/24, pending the future commissioning of this area; and
- Resourcing has been identified to support the continuation of the direct payment project.

Due to the number of follow up reviews that have been undertaken in this area, a full audit of Direct Payments will be undertaken in 2024/25. This will aim to provide assurance that the agreed actions with management have been implemented and the end-to-end process for direct payments has robust and sufficient controls in place in order to mitigate potential risks, including addressing backlogs in client reviews.

Officers Declarations of Interest, Gifts and Hospitality

Local authority employees are expected to act in the best interest of the Council at all times and to do so with integrity and professionalism.

All officers of the Council are required to comply with the Code of Conduct. Officers are expected to declare any potential conflicts of interest to their line manager. In addition, Executive Officers and staff involved in procurement or managing contracts are required to make a declaration annually, even if this is a nil return.

All employees are prohibited from using their official position to obtain private gifts or benefits for themselves during the performance of official duties. Any offers of gifts and hospitality should be declared.

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

- There are clear policies in place, and these are effectively communicated;
- There is evidence of consistent compliance with the Declaration of Interests procedures both by officers and when reviewed by management and this is done so in a timely manner;
- Adequate controls are in place to ensure all employees are aware of their responsibility to complete a declaration of interest where there is a change to their circumstance;
- Procedures for the declaration of gifts and hospitality are clearly defined in accordance with best practice and are effectively communicated; and
- That there is evidence of consistent compliance with the gifts and hospitality procedures both by officers and when reviewed by management.

Our work identified several areas where improvement was required and, as a result, we were only able to provide an opinion of **Partial Assurance**. In response to this audit, an action plan was agreed with management that included measures to:

- Consider the type and frequency of reports provided to Executive Directors to improve compliance;
- Amend the Code of Conduct to state the consequences of not declaring a conflict of interest and review the guidance notes available on the intranet;
- Propose recommendations to senior management to review the grade at which officers will have to submit declarations, including nil returns;
- Use the new intranet site to ensure reminders are presented to officers;
- Review the reporting mechanism for declarations of interest, including automated emails;

- Introduce an annual declaration return to ensure compliance;
- Review the gifts and hospitality form to ensure all relevant information is clear, and;
- Review the process for monitoring, reporting and approving gifts and hospitality and produce guidance notes.

A follow up audit will take place in 2023/24 to provide assurance that the agreed actions have been implemented.

School Meals Contract Management

The primary and special school meals contract, currently with Caterlink Ltd, was awarded in August 2018 for four years. The option to extend the contract by two years has been applied and the contract will therefore end on 31 July 2024. The contract has a value of between £4m and £4.4m per annum. The contractor is expected to provide around 11,000 meals per day to approximately 60 sites across the city. The contract covers the provision of school meals to all maintained special and primary schools as well as Turnerland Nursery and nurseries attached to maintained schools. We understand that secondary schools, academies and free schools were invited to be included in the central contract but have chosen not to participate.

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

- Effective contract monitoring and reporting arrangements are in place to ensure delivery in accordance with the contract, legislative and stakeholder expectations;
- Any variations or the changes to the original contract are in accordance with Contract Standing Orders;
- The contractor is properly insured and has effective business continuity planning in place;
- Contract payments are correct and properly authorised;
- Controls are in place to ensure that school meals income is promptly banked and reconciled; and
- Financial controls and effective budget monitoring arrangements are in place to ensure delivery in accordance with the agreed budget and contract amount.

Our work identified several areas where improvement was required and, as a result, we were only able to provide an opinion of **Partial Assurance**. In response to this audit, an action plan was agreed with management that included measures to:

- Review and update procedure notes and filing in a central location in order to help reduce the risk associated with the loss of key staff;

- Following successful recruitment, restarting monitoring visits;
- Ensuring the next school meals contract will include specific, meaningful and timebound key performance indicator (KPI) targets by which the contractor can be measured and held accountable;
- Sealing outstanding Deeds of Variation once the pricing review has been completed;
- Improving information for parents around credit balances and refunds.

In accordance with our standard practice, a follow up audit will take place in 2023/24 to provide assurance that the agreed actions have been implemented.

Highways Contract Management

Under the Highways Act 1980, the Council has a statutory duty to maintain the public highways and pavements in the city and keep them in a safe condition. To meet this duty, the Council employs highways contractors to provide specialist resources, plant, and equipment.

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

- Planned works are subject to appropriate governance and approval arrangements and are according to contract specifications;
- Reactive works are subject to robust ordering and authorisation processes, which are correctly applied according to an agreed schedule of rates;
- Client-side reviews of contracted work (both planned and reactive) are undertaken and given sufficient assurance over the quality, quantity and timeliness of work completed; and
- Actions for implementation agreed as a result of the follow up audit of highways contracts have been implemented.

Since the previous audit (2020/21) and the follow-up review (2021/22) we found that there have been improvements in the control environment. There is a robust process in place for raising, authorising, and paying for reactive repair work, along with a well-controlled inspection regime to identify repairs. In addition, there are effective controls over the payment process as evidence of completed work is retained and appropriate authorisation is obtained prior to payment. Therefore, we were able to provide an opinion of **Reasonable Assurance** based on the work undertaken.

As part of the audit, we also agreed some additional actions with management to help further improve the control environment, primarily relating to storage and retention of records.

Adult Social Care (In-house Services)

Brighton and Hove City Council has three bedded units that are currently provided in-house, these are, Craven Vale, Ireland Lodge and Wayfield Avenue. In addition,

the Council delivers in-house home care provision through Independence at Home. These services are regulated by the Care Quality Commission (CQC).

The purpose of this audit was to provide assurance that these services are being effectively managed, from a strategic perspective, covering the following objectives:

- Robust arrangements regarding the management and governance of adult social care in-house services are in place, including strategies, policies, procedures and guidance, that are compliant with relevant regulations and keep clients safe;
- A workforce strategy is in place and effective planning takes place to safeguard delivery of care and fully utilise the accommodation; and
- The financial spend against in-house services is monitored, reviewed, reported and escalated, where applicable.

We were able to provide an opinion of **Reasonable Assurance** over the controls in place. We found that all relevant data and information is taken into account to ensure that an accurate budget is compiled, based on appropriate assumptions. Periodic financial monitoring and reporting is in place to review expenditure, providing explanations for any potential variances and updating forecasts based on this information, with all corrective action to be taken being discussed with appropriate officers. Policies and guidance documents are held centrally for the team, these had been reviewed as part of a recent CQC inspection.

However, some further opportunities to strengthen the control environment were identified. These included:

- Completion and approval of the Operational Workforce Strategy, which was in development at the time of the audit review; and
- The development of key performance indicators to provide measures against the objectives in the service plan and ensuring these objectives are cross-references to the Health and Adult Social Care (HASC) Strategy and Corporate Plan.

An action plan to address the findings of the review has been agreed with management.

City Clean External Contracts and Commercial Activities (follow up)

An audit of the City Clean External Contracts and Commercial Activities was completed in 2017/18, and this received an audit opinion of Minimal Assurance. A subsequent follow up review in 2020/21 should only limited improvement with a revised opinion of Partial Assurance being provided. A further follow up has therefore being required to assess the extent to which previously agreed actions have been implemented.

The result of this work showed that four previous actions had been implemented, two had been partially implemented and we also identified a new finding. We were therefore able to issue a revised opinion of **Reasonable Assurance**. The outstanding actions, agreed with management, related to:

- Updating and retaining a full record of information on the contract spreadsheet, with regular monitoring being undertaken; and
- When new contracts are let they will include key performance indicators to ensure performance can be adequately monitored.

All actions were agreed with management which includes clear timescales for implementation.

MetaCompliance IT Application Audit

The MetaCompliance system offers a range of information security and information governance tools, including security awareness training, phishing simulation, cyber security e-learning, privacy management, policy management and incident management.

At the time of the audit the system was not yet fully live at the Council. However, it had recently been made available to all staff as an interim training solution for a variety of e-learning modules beyond its original remit.

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

- Systems access is restricted to appropriately authorised individuals and the permissions provided to those users are in line with job functions;
- Data processes through interfaces are authorised, accurate, complete, securely processed and written to the appropriate file;
- Outputs produced by the system are complete, accurate, reliable, distributed on time and with confidentiality where appropriate;
- System updates and enhancements are performed in a consistent manner and subject to sufficient testing and authorisation before implementation; and
- Appropriate support arrangements are in place to manage changes within the system.

We were able to provide an opinion of **Reasonable Assurance** based on the work undertaken as part of this audit. Proportionate controls appear to be in place for the system. If usage of the system were to be expanded to store additional information, appropriateness of controls would need to be re-evaluated ahead of any change of use.

In response to this audit, an action plan was agreed with management that included measures to:

- Identify and agree a system owner for the MetaCompliance system; and
- Undertake a Technical Risk Assessment of the system, which will be subject to review and sign off.

A formal action plan to address the findings of the review has been agreed with management.

Housing Management System (follow up)

The housing management system replacement programme was a significant change project for the Housing Service in order to procure and implement a new system, which is used to support delivery of services to the Council's tenancy and leaseholders in the city. This modernisation will implement processes that are more efficient.

An audit of the NEC Housing Management System was completed in 2021/22 and we provided an opinion of Partial Assurance. The audit resulted in 11 agreed actions with management, two of which were assessed as high risk. We have therefore undertaken a follow up review to provide assurance that these actions have been appropriately implemented, having regard to the control objectives from the original audit, namely:

- Effective quality and cost controls are in place;
- Risk management is appropriately addressed;
- Reporting and communication during the programme is well managed; and
- Detailed implementation and change management plans are in place.

Our work identified that of the 11 previously agreed actions, 9 had been fully implemented and two partially implemented. As a result of these improvements, we were able to issue an opinion of **Reasonable Assurance**. Ongoing work continues to be required in relation to the following actions:

- The NEC Asbestos module will be implemented. In addition, a management plan will be drafted to clarify where information is currently held and how to access it, as an interim arrangement, until accurate data can be centrally stored in one location; and
- Cost controls for works and repairs will be reviewed to ensure information (such as labour and material costs) are correctly captured. This will inform accurate leaseholder billing as well as cost information provided to management.

Revised timescales were agreed with management for these actions.

Cyber Security

Cyber-attacks on the Council's IT systems and devices are a threat to the security of the Council's data and could have a significant adverse impact on service delivery.

[Brighton & Hove City Council](#)

Cyber security refers to the measures in place to combat these threats and is defined as the protection of information systems (hardware, software, and associated infrastructure), the data on them, and the services they provide, from unauthorised access, harm, or misuse. This includes harm caused intentionally by the operator of the system, or accidentally, as a result of failing to follow security procedures.

This audit sought to evaluate the Council's cyber security arrangements, with reference to the National Cyber Security Centre's 'Actions to Take When the Cyber Threat is Heightened' guidance. This guidance highlights the fundamental security measures that organisations are advised to have in place.

Whilst it is not appropriate to share the specific details of our findings within this report, as this information may be used to increase the risk of a successful cyber-attack, based upon the work we have undertaken, we have been able to provide an opinion of **Reasonable Assurance**.

The audit highlighted two areas for improvement, one medium and one low risk finding, with appropriate actions to mitigate the risks agreed with management.

Home to School Transport

Home to School Transport is provided by the Council to eligible pupils within the city to facilitate attendance at school. Eligibility for home to school transport is defined by the Council's Transport Policy, and the eligibility criteria is set by the Department of Education. As of 9th September 2022, the service had 1,666 eligible pupils for home to school transport and the budget provision for 2022/23 is approximately £3.9 million.

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

- Council policies and procedures on home to school transport ensure that all statutory requirements are met;
- Adequate governance arrangements are in place to ensure that the home to school transport service is managed effectively;
- The procurement processes and management of home to school transport providers are robust, adhere to Council policies and are efficient, to ensure the delivery of the suitable provision of this service that provides value for money;
- Adequate service provider checks are undertaken to ensure the safety of children during their transfer to and from school; and
- Budgets are properly set, monitored and reported.

As a result of our work, we were able to provide an opinion of **Reasonable Assurance** in this area. We found that robust arrangements were in place to ensure suitable due diligence checks are carried out on providers. Complaints and incidents are investigated and monitored, with appropriate follow up action taken when required. The service regularly engages with key stakeholders and works closely with partner organisations. High-level monitoring of the service is undertaken through quarterly reporting to the Home to School Transport Governance Board and half-yearly progress reporting to the CYPS Committee.

Whilst the budget setting process for the service had robust controls in place, it should be noted that there is a cost pressure for the service, which is nationally recognised, due to a rising number of pupils needing transport, more pupils with solo passenger status, driver shortages and increased fuel costs being key factors.

Some areas were identified in order to further improve overall controls, this included measures to:

- Notify all applicants of eligibility, including information about the Appeals Policy
- Amend the appeal panel checklist to include all information, and complete spot checks to monitor compliance.
- Amend the award spreadsheet to show the two authorisers and record rationale for, retendering of protected routes
- Develop written procedures; and
- Add route safety criteria to the next publication of the Home to School Transport Policy.

A formal action plan to address the findings of the review has been agreed with management.

Procurement Compliance (follow up)

An audit of Procurement Compliance commenced in 2020/21 which was split into two phases, with phase one primarily focussing on the quality of data captured on the Council's Contracts Register. In 2021/22, phase two was undertaken with the objective of obtaining assurance that, where suppliers had been paid more than £75k, Contract Standing Orders has been complied with and value for money had been demonstrated. For both phases we provided an audit opinion of Minimal Assurance.

Our subsequent follow up work has identified that of the of the 16 agreed actions from the previous phase 1 and phase 2 audits all had been fully or partially implemented, with clear progress made to improve controls. As a result of these improvements, we were able to issue an improved opinion of **Reasonable**

Assurance. The following actions were agreed with management, that still require implementation, these included:

- Monitoring mechanisms will be established utilising a monthly report of spend, this will be shared with officers in the Procurement Team for them to review and discuss with their clients;
- A full update of Contract Standing Orders (CSOs) will be completed once there is clear guidance from central government;
- The provision of training to specific officers and teams will be undertaken and procurement training slides will be published on the intranet; and
- Mechanisms will be put in place in order to link information on the Contracts Register to the Council's creditors system.

Revised timescales were agreed with management for all of these actions.

Members Declarations of Interest, Gifts and Hospitality

The Council has a Code of Conduct which sets out Members' responsibilities for declaring their interests, gifts and hospitality (either accepted or declined with a value of £50 or over) within 28 days. These declarations are required to be available to the public, Council employees and Members.

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

- There is a clear policy in place to ensure that Members are aware of their responsibility to declare an interest and this policy/code of conduct is effectively communicated;
- There is evidence of consistent compliance with the code of conduct/policy in declaring interests by Member and when reviewed by officers and that this is done so in a timely manner;
- Adequate controls are in place to ensure all Members are aware of their responsibility to complete a declaration of interest where there is a change to their circumstance;
- Procedures for the declaration of Gifts and Hospitality are clearly defined in accordance with best practice and are effectively communicated; and
- That there is evidence of consistent compliance with the gifts and hospitality procedures both by Members and when reviewed by officers.

We were able to provide an overall opinion of **Reasonable Assurance** over the control environment. We found that declarations are documented and published on the external website in accordance with section 29 of the Localism Act 2011. The Council has a policy framework in place which sets standards and the personal responsibilities of Members in the areas of conflicts of interest, offers and the [Brighton & Hove City Council](#)

acceptance of gifts and hospitality. In addition, work is currently in progress to include Members' induction and relevant documentation via the Members' hub before the next local elections, to ensure new Members are able to access the majority of guidance documentation in one place.

However, some further opportunities to strengthen the control environment were identified. These included:

- The introduction of scheduled reminders to ensure all Members are aware of the requirement to notify of any changes to their roles or interests; an annual review of the register; and to ensure consistency of the recording declarations made at meetings being recorded in the public register;
- Reviewing the template used by Members to notify officers of declarations of interest made and how these declarations are held on file;
- Amending the form used by Members to declare gifts and hospitality to include the reason for acceptance of the gift and/or hospitality; and
- The creation of a spreadsheet to log receipt of interest declarations/amendments.

A formal action plan to address the findings of the review has been agreed with management.

Revenue Collection and Banking

The Council uses Civica Pay income management system, which is a vendor-hosted solution, to process and distribute income received by the Council. Civica Pay controls the distribution of income received to the Council's financial systems. The Banking & Income Team within Welfare, Revenue and Business Support are responsible for ensuring income is allocated correctly and promptly to the appropriate cost centres.

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

- All income transactions are promptly and accurately posted to the cash receipting system;
- All income is accurately and correctly populated to the correct financial system;
- Bank reconciliations are regularly prepared by independent finance officers with evidence of separation of duties;
- Bank signatories are up to date and accurate;
- Access to the Civica Pay system is restricted to officers with legitimate business needs; and
- The Council's Financial Regulations and Standard Financial Procedures relating to income collection and banking are adhered to.

As a result of our work, we were able to provide an opinion of **Reasonable Assurance** in this area. We found that daily reconciliations are taking place, there is no significant backlog of unmatched transactions, a daily suspense analysis process is taking place to allocate transactions that could not be automatically matched, and a record of action taken is maintained. User access to Civica Pay is generally well controlled, with appropriate staff having access to the system, and suitable permissions granted.

Some areas were identified in order to further improve the overall controls in place, these included measures to:

- Review and update procedure documentation to ensure that important steps and timings are included; and
- Capture authorisations showing the time this took place. Any amendments subsequent to this will be recorded and subject to further approval.

A formal action plan to address the findings of the review has been agreed with management.

IT Asset Procurement (Value for Money)

The COVID-19 Pandemic placed significant demands on local authorities to provide IT assets to its officers to enable them to work remotely. IT departments have had to respond by providing mobile devices (e.g., laptops and mobile phones) to a significant number of officers as well as other peripheral items such as monitors and mice, to support Display Screen Equipment (DSE) requirements. With the expansion of remote working, IT Hardware is in greater demand than ever before.

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

- All procurement and purchasing activities of IT assets is undertaken in response to a business need and, where applicable, in line with the Council's Contract Standing Orders;
- The processes used to procure/purchase IT assets are suited for the intended outputs;
- Procurement of IT assets is undertaken by IT&D, and any exceptions are executed with IT&D oversight and according to standards defined by IT&D.

Overall, we were able to provide an opinion of **Substantial Assurance**. We found that robust governance arrangements are in place for any procurement activity in relation to the tendering of contracts for IT assets across the council. Current

procurement activity within IT&D includes criteria such as sustainability, environmental impact, support and deployment options.

While no specific findings were raised as part of this audit, advice and areas for consideration were provided to management.

DHSC Grant - Adult Weight Management Grant

This is a grant available to local authorities from the Department of Health and Social Care to support the commissioning of adult behavioural weight management services. The amount of £99,487 was provided to the Council for 2021-22. This was the second claim for the financial year.

No significant issues were identified in the grant certification.

DEFRA – Section 31 Biodiversity Net Gain Grant

This is a new grant to help Councils develop a strategy and prepare for changes within the Environment Act 2021 that include provisions to make achievement of 10% biodiversity gain mandatory for developments under the 1990 Town and Country Planning Act. For 2022/23 funding of £43,467 was provided for this purpose.

No significant issues were identified in the grant certification.

Schools

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

- Governance structures were in place and operated to ensure there was independent oversight and challenge by the Governing Body;
- Decision making was transparent, well documented, and free from bias;
- The school was able to operate within its budget through effective financial planning;
- Unauthorised or inappropriate people did not have access to pupils, systems or the site;
- Staff were paid in accordance with the schools pay policy;
- Expenditure was controlled and funds used for an educational purpose;
- Value for money was achieved on contracts and for larger purchases;
- All unofficial funds were held securely and used in accordance with their agreed purpose;
- Security arrangements keep data and assets secure and are in accordance with data protection legislation.

School audits are currently being undertaken under remote working arrangements and one school audit was delivered in quarter 4. The table below shows the school we have audited, together with the final level of assurance reported to them.

Name of School	Audit Opinion
Patcham High School	Reasonable Assurance

We aim to undertake follow up audits at all schools with Minimal and most schools with Partial Assurance opinions.

At the end of quarter 4, liaison was ongoing to identify schools for audit within the 2023/24 financial year.

Counter Fraud and Investigation Activities

Internal Audit have been liaising with the relevant services to provide advice and support in processing the matches received as part of the National Fraud Initiative. In addition, we continue to monitor intel alerts and share information with relevant services when appropriate.

Summary of Completed Investigations

Bribery Allegation

During the quarter we investigated an allegation of potential bribery when awarding a contract for the supply of diesel and oil to the Council. The referrer alleged that two former members of City Clean staff had received a bribe to award a contract to a preferred supplier. The investigation found that the two members of staff had left the employment of the Council prior to the contract being awarded and there was no evidence that they had been involved in the procurement exercise. Furthermore, the investigation did not identify any concerns that the supplier had acted inappropriately.

Misconduct Allegation

Internal Audit conducted initial enquiries and provided advice to a service following an anonymous referral that a member of City Clean staff was carrying out secondary employment. The service interviewed the member of staff, and no evidence of secondary employment was identified. The case was closed with no further action.

Fraudulent use of a Purchase Card

Advice was provided to a school following a Purchase Card being used for a fraudulent transaction. A number of transactions had been flagged by the card issuer as fraudulent. The school are working with the bank to identify any fraudulent transactions and arrange recovery of funds. Following confirmation that the card had been cloned, advice was given on the secure use and safe storage of the card.

Phishing Email

Advice was provided to the Business Operations Team following a potential phishing email being received from a bank. The phishing email had been received purporting to be from the bank and asking the recipient to provide financial information. The email was flagged because it requested information relating to a card holder who no longer worked for BHCC. The email was identified as bogus and it was confirmed that no action to provide information had been taken in response to the request.

Brighton & Hove City Council

Audit and Standards Committee

Agenda Item 9

Subject: Counter Fraud Annual Report 2022-23

Date of meeting: 27th June 2023

Report of: Executive Director of Governance, People and Resources

Contact Officer: Name: Simon White, Audit Manager Counter Fraud
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Name: Russell Banks (Chief Internal Auditor)
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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 The report covers the counter fraud work completed in the year from 1st April 2022 to 31st March 2023 in accordance with the Counter Fraud Strategy and Framework.

2. Recommendations

2.1 That Committee note the counter fraud activity completed during 1st April 2022 to 31st March 2023.

3. Context and background information

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

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

investigation service and advises on control measures that will prevent recurrence.

4. Analysis and consideration of alternative options

4.1 The Counter Fraud Annual Report outlines:

- Details of the work undertaken during the period 1st April 2022 to 31st March 2023;
- Outcomes from investigation activities; and
- Other counter fraud activity.

5. Community engagement and consultation

5.1 None

6. Conclusion

6.1 The committee is asked to note the report.

7. Financial implications

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

Name of finance officer consulted: James Hengeveld Date consulted (02/06/23)

8. Legal implications

8.1 The Council's Audit & Standards Committee has delegated authority for reviewing and providing reassurance on the Council's arrangements for preventing and detecting fraud and corruption.

Name of lawyer consulted: Victoria Simpson Date consulted 05/06/23

9. Equalities implications

9.1 None

10. Sustainability implications

10.1 None

11. Other Implications [

11.1 None

Supporting Documentation

Appendices

1. Counter Fraud Annual Report 2022/23

INTERNAL AUDIT COUNTER FRAUD REPORT 2022/23

1. Introduction

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

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

1.3 The annual Internal Audit Plan for 2022/23 carried within it a contingency budget for 'Irregularity and Special Investigations' of 120 days. This contingency covered time to investigate 'irregularities' (actual or alleged financial impropriety, corruption, and other similar matters) as well as time for proactive counter fraud work and to support the National Fraud Initiative (NFI), detailed in the latter part of this report.

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

2. Summary of Investigations between 1 April 2022 and 31 March 2023

Resources

2.1 During the 2022/23 financial year, a total of six Internal Audit officers charged time to work on irregularity investigations amounting to 131 days.

2.2 The Counter Fraud team also monitors the Anti-Fraud inbox and a BHCC Confidential Reporting email address that was introduced in 2022, giving advice to members of staff on whistleblowing, and signposting to other departments where required.

Number and Types of Investigations

2.3 A total of 36 allegations were received in the financial year (18 in the first half of the year and 18 in the second half). For comparison, 30 allegations were received in the previous financial year.

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

- 20 were raised by Council management;
- 6 originated from an external source to the Council;
- 4 were raised by employees;
- 1 was raised by Human Resources;
- 5 were raised through confidential reporting.

2.5 Full details of the categories by which fraud and irregularity investigations are reported are attached at Appendix A. All proven fraudulent or irregular behaviour by officers may be considered misconduct; similarly, poor controls increase the likelihood of fraud occurring. The categories therefore reflect alleged specific types of fraud or irregularity.

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

Figure 1. Allegations by directorate from 1 April 2022 to 31 March 2023

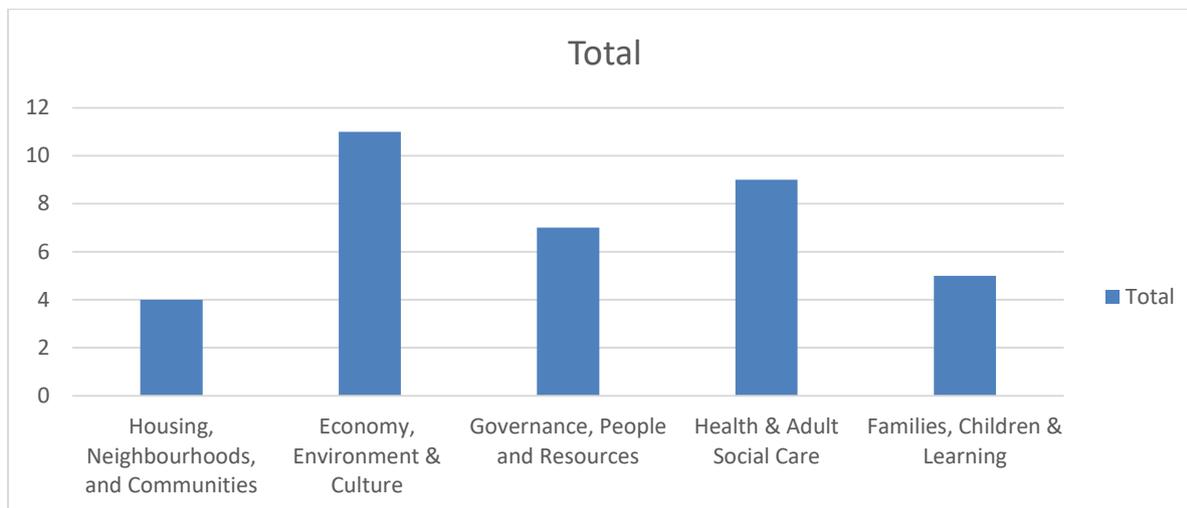
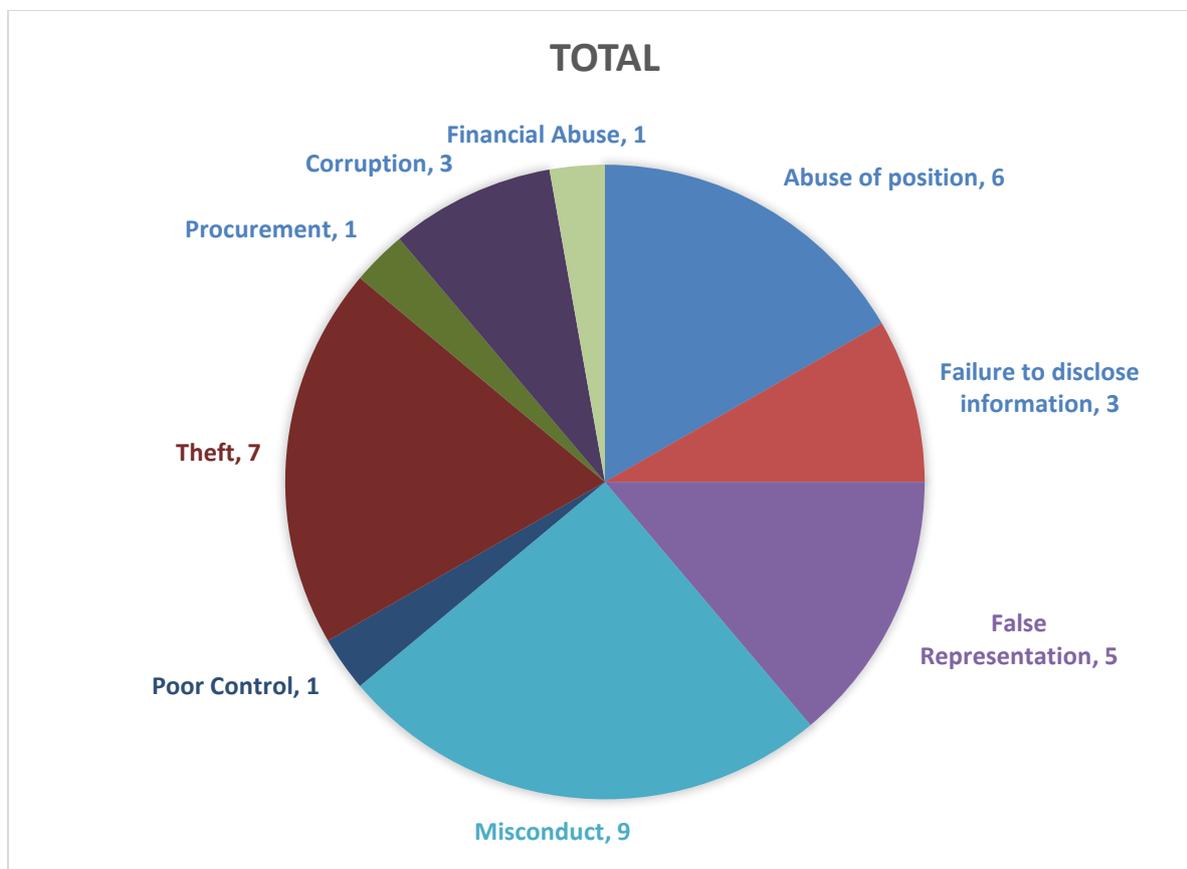


Figure 2. Summary of irregularities by type from 1 April 2022 to 31 March 2023



2.7 Of the 36 allegations received, 7 were closed with no action taken, 11 were dealt with through advice to management, 5 were taken forward for investigation by Internal Audit or support provided to a management investigation, 3 were referred to external agencies, and 7 were conduct or capability issues dealt by management with support from HR where appropriate. Three referrals are still active at the time of writing.

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

2.8.1 **Adult Social Care** – Throughout the year the team have continued to support the Adult Social Care team with investigating a number of allegations of deprivation of capital and potential false statements to obtain direct payments.

2.8.2 **Corruption Allegation** - Advice was provided following an allegation from a service-user that adaptations completed on their property in 2015 were sub-standard and that Council officers had received unauthorised payments from the contractor. The review found no evidence to substantiate the allegation of wrongdoing and due to the historical nature of the allegation no further action was taken by Internal Audit. However, the service was advised to conduct a desktop review of work orders and completion statements.

2.8.3 **False Representation** - Advice was provided to the Parking Team following concerns of abuse of a 'My Account' by two residents when purchasing Visitor Parking Permits. The matter was subsequently managed by Parking and IT&D, and no further action was required by Internal Audit.

2.8.4 **Misconduct** - Advice was provided following concerns regarding misconduct by a member of school staff. HR colleagues and a Chair of Governors contacted Internal Audit seeking advice regarding the whistleblowing process and whilst advice was provided, the specific nature of the concerns did not fall within the remit of Internal Audit.

2.8.5 **Misconduct** – Following concerns being raised regarding covert surveillance by a member of staff, advice was provided to a service relating to the legality of surveillance and the requirements of the Regulatory Investigatory Powers Act.

2.8.6 **Bribery** - An investigation was carried out in relation to an allegation of potential bribery when awarding a contract to the Council. The referrer alleged that two former members of staff had received a bribe to award a contract to a preferred supplier. The investigation found that the two members of staff had left the employment of the Council prior to the contract being awarded and there was no evidence that they had been involved in the procurement exercise. Furthermore, the investigation did not identify any concerns that the supplier had acted inappropriately.

2.8.7 **Misconduct** - Initial enquiries were conducted and advice provided to a service following an anonymous referral that a member of staff was carrying out secondary employment. The service interviewed the member of staff, and no evidence of secondary employment was identified. The case was closed with no further action.

2.8.8 **Misconduct** - An investigation was undertaken relating to an allegation that a member of staff was letting their Council property via AirBnB. The individual claimed that they had not realised that this was a breach of their Council tenancy. The advert was subsequently removed, and the member of staff was issued a letter of expectation.

2.8.9 **Fraudulent use of a Purchase Card** - Advice was provided to a school following a Purchase Card being used for fraudulent transactions. A number of transactions had been flagged by the card issuer as fraudulent. The school are working with the bank to identify any fraudulent transactions and arrange recovery of funds. Following confirmation that the card had been cloned, advice was given on the secure use and safe storage of the card.

2.8.10 **Phishing Email** - Advice was provided to the Business Operations Team following a potential phishing email being received from a bank. The phishing email had been received purporting to be from the bank and asking the recipient to provide financial information. The email was flagged because it requested information relating to a card holder who no longer worked for BHCC. The email was identified as bogus and it was confirmed that no action to provide information had been taken in response to the request.

3. Proactive Fraud Prevention and Awareness Work

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

3.2 The Council has in place a Counter Fraud Strategy that sets out their commitment to preventing, detecting, and deterring fraud. Internal Audit has reviewed the Strategy to align with best practice and to ensure a robust and consistent approach to tackling fraud. The strategy was updated to include revisions to the Fighting Fraud and Corruption Locally framework and was approved by the Audit and Standards Committee in November 2022.

3.3 Fraud risk assessments are regularly reviewed to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified. We have updated the risk assessment to include new and emerging threats. This includes potential threats to bank mandate changes and the ever increasing cyber threat.

3.4 One of the key controls in fighting fraud is having a strong culture in place with staff vigilant to the threat of fraud. In the past year, Fraud Awareness sessions have also been delivered to Business Operations focussing on the risks to the Council of bank mandate fraud and cyber fraud. The team continue to monitor intel alerts and work closely with neighbouring councils to share intelligence and best practice.

National Fraud Initiative

3.5 The results from the biennial National Fraud Initiative exercise, overseen by the Cabinet Office, were received in January 2023. The exercise compared Council records relating to payroll, pensions, creditors, Blue Badges and concessionary

travel passes, with data from 1,300 public and private sector organisations used to help prevent and detect fraud and error.

3.6 The exercise identified over 2,000 non-creditor data matches, which are risk assessed and prioritised for investigation of fraud or error.

Partnership Working

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

4. Housing Tenancy Fraud

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

4.2 In recognition of the continued threat facing the city, increased resource was committed by the Executive Director Housing, Neighbourhoods and Communities. This has resulted in an additional post funded from the Housing Revenue Account to which an external appointment was made in April 2023. This additional role will provide resource to enhance the reactive investigations whilst also providing capacity to deliver proactive and preventative aspects to enhance the tenancy fraud work. At the end of 2022/23, two Council properties had been returned to stock.

Reporting Categories for Irregularities

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

		use of Council assets and equipment	IT Security Policy
Poor Control	Weak local or corporate arrangements that result in the loss of Council assets or a breach of Council policy	Storing a key to a safe in the immediate vicinity of the safe	

Brighton & Hove City Council

Audit & Standards Committee

Agenda Item 10

Subject: Annual Governance Statement 2022-2023

Date of meeting: 27th June 2023

Report of: Executive Director, Governance, People and Resources

Contact Officer: Name: Rima Desai, Luke Hamblin
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luke.hamblin@brighton-hove.gov.uk

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 The Council is required to report on how it ensures a sound system of governance, including effective systems of internal control. This report provides information on the annual review of the city council's governance arrangements. It seeks formal Committee approval for the Annual Governance Statement (AGS) 2022-2023 (Appendix 1).
- 1.2 The responsibilities of the Audit & Standards Committee in the Council's Constitution include:
 - I. Considering the annual review of the effectiveness of the system of internal control required by regulation 3 of the Accounts and Audit Regulations 2015; and
 - II. Approving the Annual Governance Statement prepared in accordance with regulation 6 of the above Regulations.

2. Recommendations

- 2.1 That Audit & Standards Committee formally approve the Annual Governance Statement 2022-2023 at Appendix 1 so that the AGS may be signed by the City Council's Leader and Chief Executive before publication alongside the City Council's Statement of Accounts.

3. Context and background information

- 3.1 Good corporate governance in local authorities:
 - Ensures that decision making is lawful, informed by objective advice, transparent and consultative.
 - Is crucial to achieving value for money and securing financial sustainability.

- Ensures that ethical standards (The Nolan Principles) are upheld and prevents serious failings such as fraud.
- 3.2 We have used the Chartered Institute of Public Finance & Accountancy (CIPFA) guidance to comply with the Good Governance Framework which sets our seven core principles to achieve good governance as follows:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - B. Ensuring openness and comprehensive stakeholder engagement
 - C. Defining outcomes in terms of sustainable economic, social and environmental benefits
 - D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
 - F. Managing risks and performance through robust internal control and strong public financial management
 - G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.
- 3.3 Overall, we have received 'reasonable assurance' for our governance arrangements in 2022/23. In this context 'reasonable assurance' means that arrangements are in place to manage key risks and to meet good governance principles, but there are one or more areas where improvements are required.
- 3.4 The key actions we need to undertake in 2023/24 to further strengthen our governance are:
- In response to the external auditors' key recommendation in relation to the authority's financial sustainability, to review the council's annual budget and medium-term planning processes to develop robust and sustainable service and financial plans.
 - Continue to seek improvements to the Payroll and Pension Service.
 - Continue to implement a proactive strategy to modernise industrial relations in conjunction with recognised trade unions.
 - Ensure executive level leadership of health & safety and effective governance to implement the Health & Safety Strategy.
 - Ensure effective governance of the implementation of the Digital, Data & Technology Strategy.
 - Implement improvements to operational financial processes for Adult Social Care clients in line with internal audit actions and other improvement plans.

4. Analysis and consideration of alternative options

- 4.1 Reflecting the CIPFA guidance and taking account of feedback from external auditors, we have taken the opportunity to review the content and format of our Annual Governance Statement and compare it with those of other authorities. We consider that our approach accords with the CIPFA

guidance, is backed up by our embedded operating arrangements, is proportionate and evidences good governance.

5. Community engagement and consultation

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

6. Conclusion

- 6.1 This report provides reassurance around the Council's governance arrangements and identifies actions to strengthen governance which will be monitored through regular review of directorate plan actions.

7. Financial implications

- 7.1 Good corporate governance and effective systems of internal control are essential to the financial health and reputation of the council. The resources required to implement the proposed actions to strengthen the governance arrangements are generally provided for in the agreed 2023/24 budget but will be kept under review and may need further consideration where improvement actions require additional resources. This will also inform the preparation of the 2024/25 budget.
- 7.2 Good practice and lessons learned from the response to the Covid-19 pandemic have been incorporated into the council's governance framework and regular internal and external audit reviews as well as recommendations from inspections (e.g. Ofsted) are continually used to inform improvements to the governance and internal control framework. Where these have a significant cost or resource implication, this will further inform future years' budget setting rounds.

Name of finance officer consulted: Nigel Manvell Date consulted: 31/5/23

8. Legal implications

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

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

Name of lawyer consulted: Victoria Simpson Date consulted: 06.06.23

9. Equalities implications

- 9.1 The Annual Governance Statement links to the Performance Management Framework through which as an organisation we have an oversight of our progress in becoming a more fair and inclusive council. The Corporate Equalities Delivery Group has the governance oversight of the Fair & Inclusive corporate modernisation programme linked to Directorate Equalities Delivery Groups. Strategy, Finance & City Regeneration Committee will receive progress updates on our fair & inclusive work, corporate key performance indicators linked to staff protected characteristics and customer insight linked to equalities data.

10. Sustainability implications

- 10.1 The AGS links to the Performance Management Framework through which we have an oversight of our progress in becoming a more sustainable organisation. This is managed through the Carbon Neutral corporate modernisation programme, carbon neutral strategic risk (SR36), carbon neutral corporate key performance indicator and actions to reduce carbon footprint, which are included in the Directorate Plans.

Supporting Documentation

1. Appendices

1. Draft Annual Governance Statement 2022-2023

2. Background documents

1. None



Annual Governance Statement

2022/23

Draft 23/05/2023



**Brighton & Hove
City Council**

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Certification

The Annual Governance Statement is formally approved by the Council's Audit & Standards Committee each year. It provides reassurance regarding the effectiveness of the governance arrangements in place during the preceding year and identifies areas for improvement.

This Annual Governance Statement provides an accurate account of the arrangements in place at Brighton & Hove City Council. We confirm that the Council will continue to further strengthen its governance arrangements, including by monitoring the implementation of the actions set out in this statement through the monitoring processes outlined here. The progress that the Council makes will be reported in the next Annual Governance Statement.

Signed:

Councillor Bella Sankey,
Leader of the Council

Date: XX XXX 2023

Signed:

Will Tuckley,
Chief Executive Officer

Date: XX XXX 2023

Annual Governance Statement (AGS)

Purpose

- To fulfil the statutory requirement for each local authority to conduct a review of its system of internal control and prepare and publish an AGS at least once every financial year
- To demonstrate that there is a sound system of governance
- To outline our progress in 2022-23 and help us take further actions to improve governance for delivery in 2023-24

The focus of the AGS is on assessing our governance arrangements, rather than assessing our performance.

What is Corporate Governance?

Good governance in local authorities:

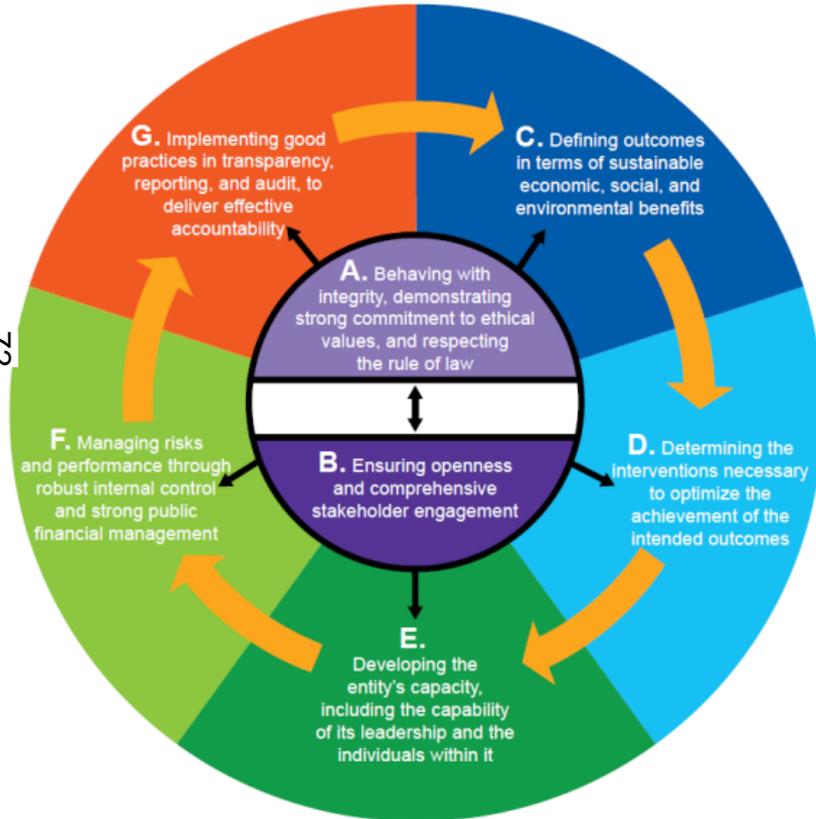
Ensures that decision-making is lawful, informed by objective advice, transparent and consultative

Is crucial to achieving value for money and securing financial sustainability

Ensures that ethical standards (the Nolan Principles) are upheld and prevents serious failings such as fraud

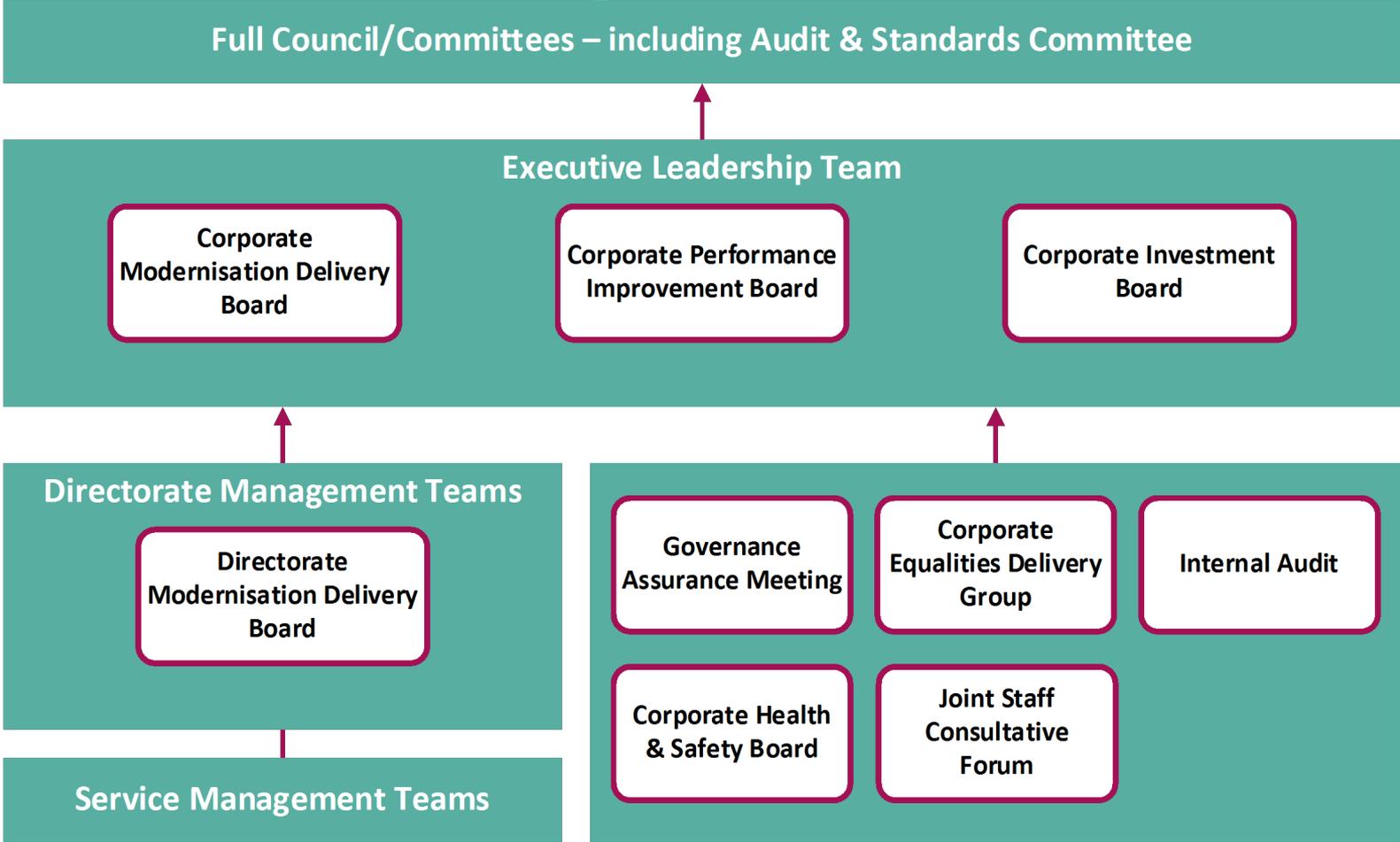
The 7 principles of Good Governance

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

Governance arrangements within BHCC



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The process for development of the AGS

The Governance Assurance Meeting (GAM) which includes statutory officers (Head of paid service, Monitoring Officer, S151 Officer and Chief Internal Auditor) develop the first draft

(please see the next slide outlining information taken into account)

Executive Leadership Team reviews the initial draft proposed by GAM particularly discussing and agreeing future actions to strengthen governance.

The revised draft is then reviewed by the Leader of the Council.

The final draft is presented to the Audit & Standards Committee (the cross party member body with delegated authority) for their approval.

The version as approved by the Audit & Standards Committee is signed off by the Leader of the Council and the Chief Executive for publication.

Future actions are included in the relevant Directorate Plans for regular monitoring as part of the Performance Management Framework

Information taken into account when developing the AGS

Finance management reports including Statement of accounts

Key performance indicators update

Directorate Plan monitoring

Internal audit reports including follow up audits

Strategic and Directorate Risk management

External auditor report

External inspection outcomes

Customer insights (including member complaints and any Ombudsman reports)

Our people data

Health & safety data

Modernisation data

Member input, including at Audit & Standards Committee

Opinion of Internal Audit for 2022/23

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

Reasonable Assurance*

that Brighton & Hove City Council has in place an adequate and effective framework of governance, risk management and internal control for the period of 1st April 2022 to 31st March 2023

Chief Internal Auditor, Russell Banks
Audit Manager, Carolyn Sheehan

* Assurance can never be absolute. In this context 'reasonable assurance' means that arrangements are in place to manage key risks and to meet good governance principles but there are one or more areas where improvements are required.

Actions focused on strengthening governance in 2023/24

What we will do

Lead Officer (Committee)

In response to the External Auditor's key recommendation in relation to the authority's financial sustainability, to review the council's annual budget and medium-term planning processes to develop robust and sustainable service and financial plans

Continue to seek improvements to the Payroll and Pension Service

Continue to implement a pro-active strategy to modernise industrial relations in conjunction with recognised trade unions

Ensure executive level leadership of health & safety and effective governance to implement the Health & Safety Strategy

Ensure effective governance of the implementation of the Digital, Data & Technology Strategy.

Implement improvements to operational financial processes for adult social care clients in line with internal audit actions and other improvement plans

Chief Finance Officer
(Policy & Resources)

Director, Human
Resources &
Organisational
Development
(Policy & Resources)

Executive Director,
Governance, People &
Resources (Policy &
Resources)

Executive Director, Health
& Adult Social Care (Adult
Social Care & Public Health
Sub-Committee)

Appendix 1 Progress on 2021/22 actions

AGS 2021/22 Actions	Lead Officer	Directorate Plan 2021/22 Actions	Q4 Status*
<p>Taking account of new ways of working, including governance and control changes in a post Covid financial environment, undertake an assessment of compliance with the Financial Management Code Chief Finance Officer (Audit & Standards Committee)</p>	<p>Executive Director, Governance, People & Resources</p>	<p>GPR 4.2 Undertake an assessment of compliance with the Financial Management Code and identify improvement actions 1.7.4.3</p>	<p>↑</p>
<p>Continue to develop and implement a pro-active strategy to improve industrial relations in conjunction with recognised trade unions Director, Human Resources & Organisational Development (Policy & Resources Committee)</p>	<p>Executive Director, Governance, People & Resources</p>	<p>GPR 8.7 To continue to develop and implement a pro-active strategy to improve industrial relations in conjunction with recognised trade unions 1.7.8.7</p>	<p>↔</p>
<p>Strengthen procurement and contract management skills, compliance and knowledge across directorates through improved training, awareness, systems and monitoring. Chief Finance Officer (Policy & Resources Committee)</p>	<p>Executive Director, Governance, People & Resources</p>	<p>GPR 6.13 Corporate Modernisation Programme - Procurement & Contract Management: Implement improved oversight over contract management across the council. 1.7.6.10</p>	<p>↔</p>

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*Direction of travel compared to Q4 2021-22: ↑ improving ↓ declining ↔ no change [GPR] Governance, People & Resources.

AGS 2020/21 Actions

Lead Officer (Committee)

Directorate Plan 2021/22 Actions

Q4 Status*

<p>Working with all services across the organisation, improve compliance in relation to information rights cases (Freedom of Information, Subject Access Requests, Data Protection) Executive Director, Governance, People & Resources (Policy & Resources Committee)</p>	<p>Executive Director, Governance, People & Resources</p>	<p>GPR 6.6 Ensure a robust, compliant and cost-effective Information Rights case handling framework in place to enable it to meet its legal obligations, including timescales under the General Data Protection Regulation, Data Protection Act 2018, Freedom of Information Act 2000 and associated legislation 1.7.6.6</p>	
<p>79 Continue to implement improvements in Housing Needs and Temporary Accommodation, in line with internal audit actions and other improvement plans Executive Director, Housing, Neighbourhoods & Communities (Housing Committee)</p>	<p>Executive Director, Housing, Neighbourhoods & Communities</p>	<p>HNC 1.11 Develop a strategy for the provision of council run temporary accommodation including Seaside Homes, and to 'replace privately run temporary and emergency accommodation with council owned properties' 1.5.1.11</p>	
		<p>HNC 1.24 Align Housing Needs and Rough Sleeper commissioning to encompass the post pandemic landscape to eliminate rough sleeping, homelessness and reduce the need for Temporary Accommodation 1.5.1.24</p>	

*Direction of travel compared to Q4 2021-22: ↑ improving ↓ declining ↔ no change

[GPR] Governance, People & Resources. [HNC] Housing, Neighbourhoods & Communities.

Additional key actions delivered in 2022/23 to strengthen governance

Business Framework

Digital, Data & Technology strategy

Health & safety strategy

Risk Management Framework

Essential / non-essential service categorisation

Strengthen Medium Term Service and Financial Planning to improve the financial sustainability of decision-making

Digitisation of member expense claims

Appendix 2 – External auditor report to A&S Committee at January 2023 meeting

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

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

Appendix 3 Performance Management Framework

Best Value Authorities are under a general Duty of Best Value to “make arrangements to secure **continuous improvement** in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.”

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

The Performance Management Framework sets out to ensure:

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



Organisation wide

Position based on performance information as at 8th June 2023

Improvements/good performance:



Improved representation in workforce profiles



Improved response time in customer complaints and councillor enquiries



Improved governance with Digital Data and Technology strategy



Improved compliance with Information Rights

Priority areas for focus:



Financial sustainability of demand led services



Customer Experience (particularly with high transaction services)



Managing organisational capacity



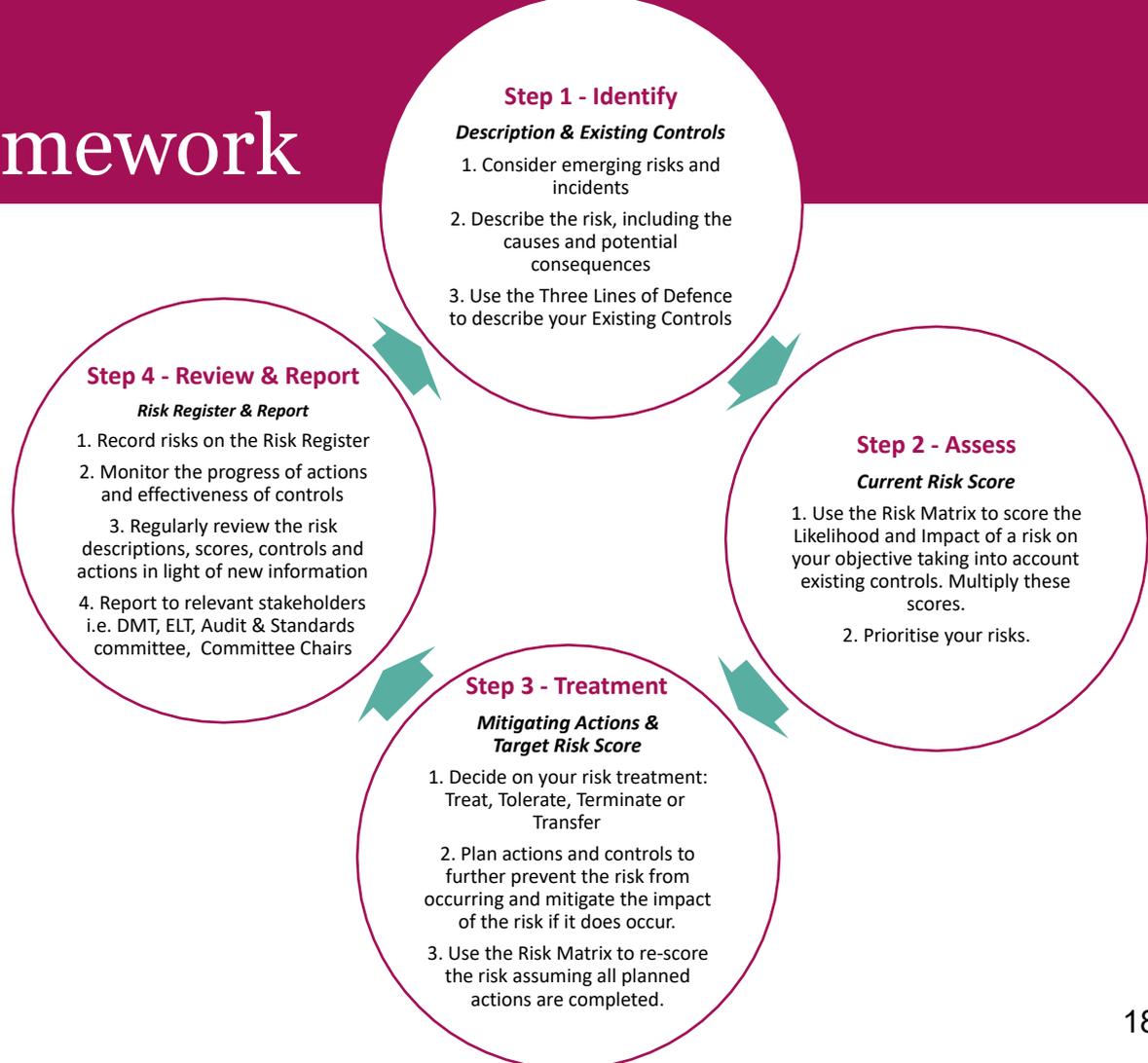
Managing workplace sickness

Appendix 4 Risk Management Framework

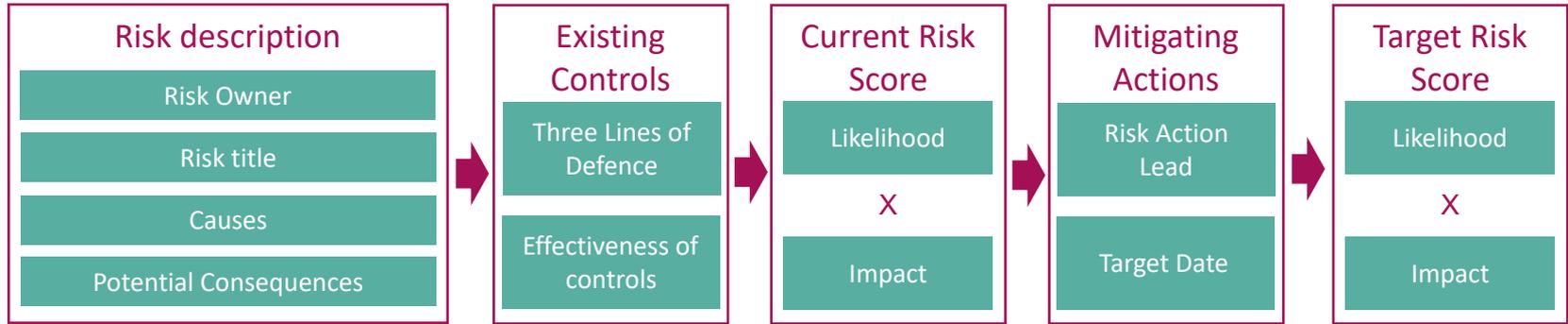
Risk Management Process

There are four steps in the risk management process – identify the risk, assess the risk, decide on the risk treatment, and review and report on the risk.

The full Risk Management Framework can be found [here](#)



Risk Management Approach



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

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

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

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

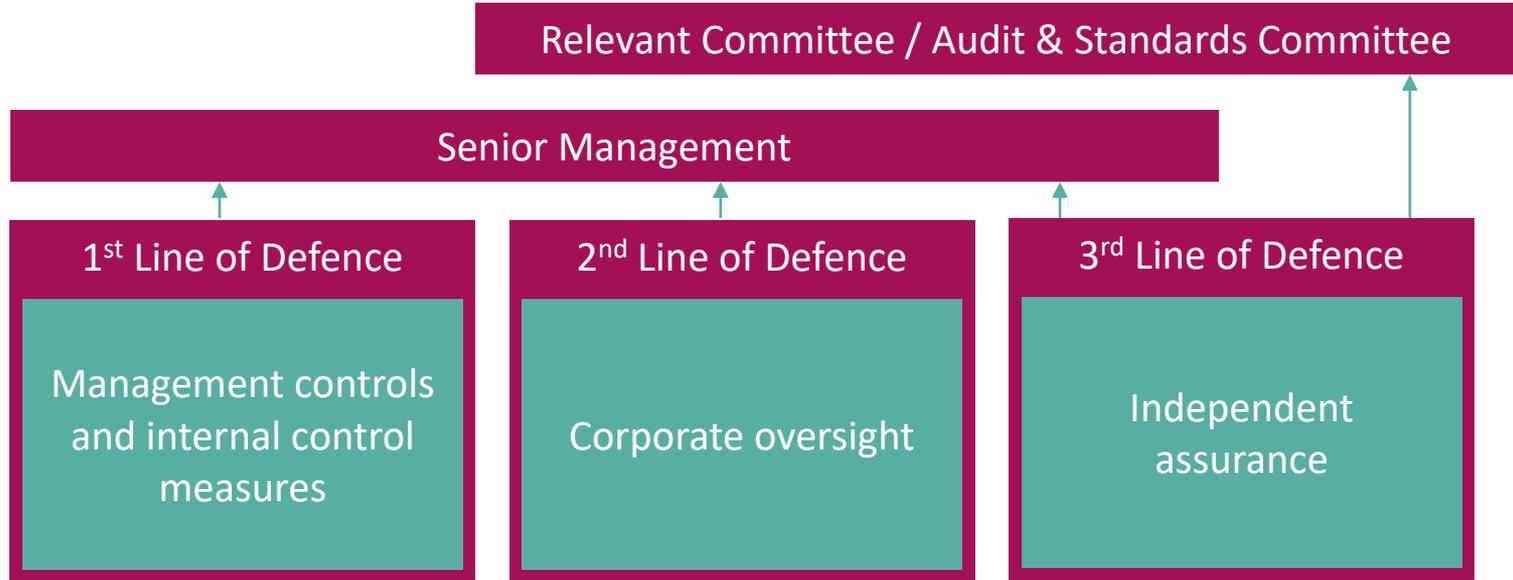
Risk scoring & levels

- The level of a risk will depend on the scope, scale of potential impact and the type of response required. Risks can be escalated or de-escalated between levels through reviews.
- Scoring should be a realistic assessment without optimism bias.
- The **current score** is with existing controls in place and the **target score** is with completed mitigating actions.
- The target score needs to be realistic and take into account the uncertainty of the risk and resources available to deliver actions so can sometimes remain a high 'red' score.
- However, the purpose of scoring is to prioritise risks to ensure resources are allocated to the most significant risks. Heat maps are a helpful way to see how risk scoring compares.

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

Three Lines of Defence Model

Existing controls are set out using the Three Lines of Defence model.



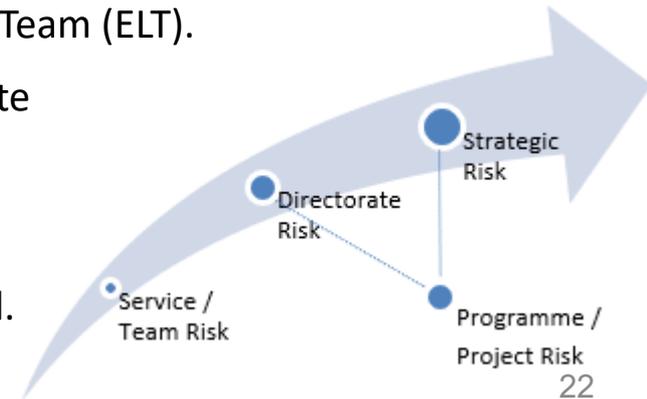
Involves those who know the business, culture and day to day challenges

Involves those responsible for delivery and not independent of the management chain (senior management, boards and committees)

Internal audit, external audit and regulators

Assurance and escalation of risks

- Our Corporate Risk Assurance Framework uses the ‘three lines of defence model’ to assess the effectiveness of how we manage organisational risks.
- Audit & Standards Committee have oversight of the risk management framework.
- Strategic risks are owned by an Executive Leadership Team (ELT) lead. ELT leads are responsible for discussing strategic risks with the relevant committee chairs with a view to mitigating these as appropriate.
- Any member can approach an ELT lead with risks that they foresee for them to take account of it in their risk review sessions.
- Strategic risks are reviewed regularly by the Executive Leadership Team (ELT).
- Directorate and strategic risks are reviewed regularly by Directorate Management Teams (DMTs); risk registers are live documents. Suggested amendments to strategic risks and the Directorate Risk Registers are reported to ELT as part of their risk review.
- All officers are expected to escalate risks to the relevant DMT lead. Risk management training is available to all officers.



Appendix 5 Strategic Risk Analysis

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

Good Governance Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Strategic Risk

Independent assurance

SR13 Not keeping adults safe from harm and abuse.

1. For the council's in-house registered care services Care Quality Commission (CQC) Inspections on an on-going regular basis. From 2023, all local authority adult social care services will be inspected by CQC.
2. CQC's programme of inspections of all registered care providers are published weekly and available on CQC's website www.cqc.org.uk. These are monitored for local relevance by the council's Quality Monitoring team.
3. Brighton & Hove Safeguarding Adults Board (BHSAB) is independently chaired and meets quarterly with the three statutory agencies for city wide safeguarding assurance. The subgroups are always attended by HASC. The Safeguarding Lead is a member of the SAR panel (multi agency, chaired by independent sector) where referrals for reviews are discussed in depth. Input is provided in a robust manner for all reviews and related pieces of work for example multi agency audits and action plan reviews required by SAB.
4. Local Government Association Test of Assurance in September 2022 provided recommendations that were reviewed at follow up session in April 2023.
5. Internal Audit
 - * 2022/23: Adult Social Care (In-house services) (Reasonable Assurance); Direct Payments (follow up) (Partial Assurance); ASC Financial Assessments (Partial Assurance)
 - * 2021/22: HASC Modernisation Programme (Reasonable Assurance), Direct Payments (Partial Assurance), Home Care (Reasonable Assurance); Care Payments (Reasonable Assurance)
 - * 2020/21: Hospital discharge arrangements (Reasonable Assurance), Care System Replacement Project – Eclipse (Reasonable Assurance)

Good Governance Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Strategic Risk

SR15 Not keeping children safe from harm and abuse.

Independent assurance

1. Ofsted inspections of social work practice under the ILACS arrangements. Full inspection July 2018 - overall judgement was 'Good'. An ongoing action plan enabled oversight on completing the recommendations, and progress and completion of these have been reported to CYPS committee meetings.
2. Ofsted Focused visit under ILACS framework February 2020 looking at services to children in need and children with child protection plans. Ofsted noted continued improvement made since 2018 inspection. Next ILACS inspection expected imminently which will provide up to date assurance around our wider safeguarding and care arrangements.
3. Ofsted and the CQC inspection the LAs SEND and Alternative Provision arrangements in March 2023. The report is yet to be published but it provides further assurance around our social care arrangements for children with special educational needs and disabilities and provides confirmation that our existing improvement plans are still correctly focussed
4. National Probation Inspectorate statutory inspection of the city's Youth Offending Service April 2021 - Outstanding grading across every domain.
5. Annual Engagement Meeting (AEM) with Ofsted HMI for social care and education. Most recently held in March 2023 and covered social care and education. A separate discussion focussing on Further Education and Skills took place in April 2023 and the discussion focussing on Special Educational Needs is due to take place in Autumn 2023.
5. Local Government Association (LGA) review of Early Help processes January 2020. The recommendations were taken forward and formed a key element of the Family Hubs Transformation Programme which is currently underway
6. The Brighton & Hove Safeguarding Children's Partnership (BHSCP) commissions Independent Scrutiny (IS) for the partnership, whose role and function is to provide external challenge to the business of the partnership, its meetings, subgroups and priorities.
7. Internal audit:
 - * 2022/23: Home to School Transport (Reasonable Assurance).
 - * 2021/22: Child Disability Agency Placements (Reasonable Assurance); School Attendance (Reasonable Assurance).
 - * 2020/21: Education, Health and Care Plans (Reasonable Assurance), Care System Replacement Project – Eclipse (Reasonable Assurance)
 - * 2019/20: Care Leavers (Reasonable Assurance), Joint Commissioning (Reasonable Assurance).

Good Governance Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Strategic Risk

Independent assurance

SR32 Challenges in ensuring robust & effective health & safety measures, leading to personal injury, prosecution, financial losses, or reputational damage

1. Post Grenfell tragedy (June 2017) information required by Ministry of Housing Communities and Local Government (MHCLG) in relation to council owned blocks was provided. The Council provide data to MHCLG on private sector blocks visual inspections.
2. East Sussex Fire & Rescue Service (ESFRS) Regulatory Reform (Fire Safety) Order - ESFRS undertake citywide audits according to a prioritised programme which includes a range of council buildings. No inspections of council buildings have led to the need for enforcement action. All Council high rise buildings have been visited by ESFRS.
3. A Notice of Contravention issued by the HSE in response to their investigation into the fatality in a school Feb 2019 outlined necessary action. The council have responded to the NOC and no further comment has been provided by the HSE.
4. HSE Control of Vibration unannounced inspection in City Parks in October 2017, linked to national focus on work related health. Areas for improvement identified which has led to development of an action plan with assigned leads and timescales for action. HSE responded to RIDDOR reports specifically on vibration in March 2018 visiting City Parks and City Clean. A request for an update on progress was responded to in October 2020.
5. After Inquest re. fatality of a council employee in 2018 the BHCC Coroner issued a Regulation 28: Report to Prevent Future Deaths in March 2019. Head of Health & Safety and Senior Lawyer prepared a letter in response to outline the activity of the council to address the issues raised within the Regulation 28 Report, and our plans to address the long-term corporate issues. This is managed through the Health & Safety Strategic Action Plan.
6. Royal Society for the Prevention of Accidents (RoSPA) undertook an independent audit of BHCC's health and safety framework and arrangements between 1-3rd and 10th December 2020. Final report issued from RoSPA February 2021. Key elements from the RoSPA report have been included in the strategic action plan.
7. Ofsted and CQC undertake statutory audits of schools, educational settings and care homes and care services.
8. Internal audit:
 - * 2021/22: Property and Design - Corporate Landlord (Reasonable Assurance)
 - * 2022/23: Health & Safety (Partial Assurance)

Good Governance Principle B: Ensuring openness and comprehensive stakeholder engagements

Strategic Risk

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

Independent assurance

1. HM Government
2. External Audit reviews of financial position of the city council - June 2019.
3. Inspectorate reports e.g. Ofsted 2018 - Children's Services - Good Judgement; and Ofsted focused visit in February 2020 looking at services to children in need and child protection plans resulted in positive comment.
4. LGA peer review Equality Framework for Local Government.
5. Investigatory Powers Commissioner – reviewed the use of investigatory powers (2018)
6. Internal Audit
 - * 2022/23: Risk Management (Substantial Assurance); Declarations of Interest (Gifts and Hospitality) Members (Reasonable Assurance); Declarations of Interest (Gifts and Hospitality) Staff (Partial Assurance)
 - *2021/22: Major Capital Projects - Brighton Centre / Black Rock (Reasonable Assurance)
 - * 2019/20: Brighton Centre (Reasonable Assurance)
 - * 2018/19: Royal Pavilion and Museums (Partial Assurance), Seafront Investment Strategy (Reasonable Assurance)

SR37 Adverse impact on health outcomes and business continuity from high levels of disease transmissions and pandemics in the city

1. UK Health Security Agency (UKHSA) review of local and regional health protection systems and MOU's.

Good Governance Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Strategic Risk

Independent assurance

SR21 Unable to manage housing pressures and deliver new housing supply

1. Internal Audit:
 - * 2022/23: Housing Management System (follow up) (Reasonable Assurance); Temporary Accommodation (follow up) (in progress)
 - * 2021/22: Housing Rents (Partial Assurance)
 - * 2020/21: Temporary Accommodation (Minimal Assurance), Housing Management System Implementation (Partial Assurance)
 - * 2019/20: Housing Allocations (Substantial Assurance)
 - * 2018/19: Digital First (Minimal Assurance), Housing Management System Replacement (Reasonable Assurance)
2. Department for Levelling Up, Housing and Communities information returns.
3. Homes England (HE) information returns where we have HE grant allocations. HE grant for homeless move on accommodation – regular updates to HE on scheme progress and draw down on grant.

SR24 The council is unable to provide an effective welfare support response to households facing financial hardship.

1. Internal Audit:
 - * 2021/22: Welfare Discretionary Funding (Reasonable Assurance), Housing and Council Tax Benefits (Substantial Assurance); Council Tax (Reasonable Assurance).
2. Department for Work & Pensions (DWP) oversee distribution of the Household Support Fund.
3. Department of Levelling Up, Housing & Communities and BEIS oversee the Energy Payment and associated discretionary fund, and Energy Bills Support Scheme respectively.

Good Governance Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Strategic Risk

SR36 Not taking all actions required to address climate and ecological change and transitioning our city to carbon neutral by 2030

Independent assurance

1. Environment Agency (EA) in respect of flooding and monthly reports made to EA on how the city council spends the monies received from EA includes schemes such as coastal protection; Property Level Protection; sustainable urban drainage SPG (policy); Strategic Flood Risk Assessment.
 2. Internal Audit acts as first level controller to support three EU funded projects part of whose remit is to address some elements of this risk. These are Solar Adoption Rise In the 2 Seas (Solarise), Shaping Climate change Adaptive Places (SCAPE) and Sustainable Housing Initiatives in Excluded Neighbourhoods (SHINE). All claims during 2020/21 were certificated in accordance with EU processes.
 3. Local Air Quality Management reports submitted regularly to the Department for Environment, Food and Rural Affairs (Defra)
- Internal Audits undertaken:
* 2022/23: Carbon Reduction Programme – Governance Arrangements (in progress)

Good Governance Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

Strategic Risk

SR18 The organisation is unable to deliver its functions in a modern, efficient way due to the lack of investment in and exploitation of technology

Independent assurance

1. Internal Audit:

- * 2022/23: Housing Management System (follow up) (Reasonable Assurance); Public Sector Bodies Accessibility Regulations (follow up) (Reasonable Assurance)
- * 2021/22: MCM Housing Repairs Application (Reasonable Assurance), Public Sector Bodies - Website & Mobile Applications - Accessibility Regulations (Partial Assurance)?
- * 2020/21: Care System Replacement Project – Eclipse (Reasonable Assurance), Housing Management System Implementation (Partial Assurance), Cloud Computing (Reasonable Assurance), IT Access Management (Partial Assurance)?
- * 2019/20: Mobile Device Management (Reasonable Assurance), Surveillance Cameras (Partial Assurance)
- * 2018/19: Digital First (Minimal Assurance), Housing Management System Replacement (Reasonable Assurance), Care management system re-procurement (Reasonable Assurance)

Good Governance Principle E: Developing the entity's capacity including the capacity of its leadership and with individuals within it

Strategic Risk

Independent assurance

1. Annual review of Value for Money (VfM) arrangements by the External Auditor leading to an opinion in the annual audit report. The last review (2021/22) concluded there were no governance issues to report and arrangements to secure VfM and the council's use of resource were reasonable. However, a significant weakness in terms of financial resilience was identified resulting in a 'Key Recommendation' to improve financial sustainability. This was considered by the Audit & Standards Committee on 24 January 2023 including the management response.

2. Internal audit reviews:

Internal Audit reviews on all aspects of financial management, governance and reporting are undertaken on a rolling basis to provide management with assurance and recommendations for improvements.

- * 2022/23: Treasury Management (Substantial Assurance); Revenue Collection and Banking (Reasonable Assurance)
- * 2021/22: Accounts Payable (Reasonable Assurance), City Clean Expenditure (Reasonable Assurance), Capital Programme (Reasonable Assurance); Account Receivable (Reasonable Assurance); Revenue Budget Management (Reasonable Assurance); Council Tax (Reasonable Assurance); Payroll (Reasonable Assurance); Housing Rents (Partial Assurance)
- * 2020/21: Budget Management (Substantial Assurance), Payroll (Reasonable Assurance), Business Rates (Reasonable Assurance), Accounts Receivable (Partial Assurance), Council Tax (Reasonable Assurance).
- * 2019/20: Main Accounting System (Substantial Assurance), Treasury Management (Reasonable Assurance), Purchasing Card System (Reasonable Assurance), BACS Payment Arrangements (Reasonable Assurance), Care Payments (Substantial Assurance), Adult Social Care Income (Reasonable Assurance), Housing Rents (Reasonable Assurance).

SR2 The Council is not financially sustainable in the medium term

Good Governance Principle E: Developing the entity's capacity including the capacity of its leadership and with individuals within it

Strategic Risk

SR25 Insufficient organisational capacity or resources to deliver all services and respond to changing needs and changing circumstances

Independent assurance

1. Local Government Peer Review 2017 focused on Leadership and Industrial Relations.
2. Internal Audit
 - * 2022/23: Organisational Capacity – Workforce Strategy and Management (in progress)
 - * 2021/22: Performance Review Compliance - PDPs and 1 to 1s (Partial Assurance), Agency Staff Contract (Reasonable Assurance)
 - * 2020/21: Recruitment (Reasonable Assurance), Working Time Directive (Partial Assurance)
 - * 2018/19: Personal Service Companies and Use of Consultants (Reasonable Assurance), Wellbeing Project (Substantial Assurance)

Good Governance Principle F: Managing risks and performance through robust internal control and strong financial management

Strategic Risk

Independent assurance

SR10 Corporate information assets are inadequately controlled and vulnerable to cyber attack

1. Internal and external IT audits provide an objective evaluation of the design and effectiveness of IT&Ds internal controls. An annual Internal Audit schedule is agreed with internal audit; some focus audits specifically on Information Governance (IG) areas, but all will cover some aspect of IG. The outcome of all audits is reported to the Audit and Standards Committee quarterly.
 - * 2022/23: IT Asset Procurement (Value for Money) (Substantial Assurance); ; Cyber Security (Reasonable Assurance); MetaCompliance IT Application (Reasonable Assurance)
 - * 2021/22: Email Communication - personal and sensitive encryption (Reasonable Assurance), DWP/Searchlight System Security Compliance (Reasonable Assurance), PIER Application Control (Reasonable Assurance), Information Governance - Remote Working (Reasonable Assurance), IT Access Management (Reasonable Assurance), Network Security (Reasonable Assurance), Network Access Management (follow up) (Reasonable Assurance); IT&D Strategic and Operational Risk Management (Reasonable Assurance); Post-Brexit Information Governance (Substantial Assurance)?
 - * 2020/21: Cyber Security (Reasonable Assurance), IT Asset Management during Covid 19 (Reasonable Assurance), GDPR (Reasonable Assurance), Housing Management System Implementation (Partial Assurance)?
 - * 2019/20: ICT Compliance Framework (Reasonable Assurance), Mobile Device Management (Reasonable Assurance), Purchasing Card System (Reasonable Assurance), Main Accounting System (Substantial Assurance)
2. IT Health Check (ITHC) performed by a 'CHECK'/'CREST' approved external service provider – covering both applications and infrastructure assurance. The ITHC approach has been updated to include one standard annual check and one targeted solution specific check (e.g. the mobile service).
3. Continued assurance from compliance regimes, including Public Sector Network (PSN) CoCo (Code of Connection); NHS Digital Data Security and Protection (DSP) Toolkit; and Payment Card Industry Data Security Standard (PCI DSS).

Good Governance Principle F: Managing risks and performance through robust internal control and strong financial management

Strategic Risk

66 **SR29** Procurement non-compliance and ineffective contract performance management leads to sub-optimal service outcomes, financial irregularity and losses, and reputational damage

Independent assurance

1. Internal Audit:

- * 2022/23: Highways Contract Management (Reasonable Assurance); Procurement Compliance (follow up) (Reasonable Assurance); Declaration of Interest (Gifts and Hospitality) Staff (Partial Assurance); School Meals Contract (Partial Assurance)
- * 2021/22: Procurement Compliance – Phase 1 & 2 (Minimal Assurance), Highways Contract Management (Reasonable Assurance), Highways Maintenance (Reasonable Assurance)
- * 2019/20: Contract Collusion (Reasonable Assurance), Grants to community and voluntary organisations (Reasonable Assurance)
- * 2018/19: Care management system re-procurement (Reasonable Assurance), Housing Management System Replacement (Reasonable Assurance)

Good Governance Principle G: Implementing good practice in transparency, reporting and audit to deliver effective accountability

The Strategic Risk Register is reviewed by the Directorate Management Teams and Executive Leadership Team quarterly. The Strategic Risks are presented to the relevant committees annually so available for staff and public to view in the report pack for committee meetings.

Appendix 6 Policies, Processes & Strategies

Whilst many of our policies, processes and strategies link to many of the Good Governance Principles, below are those that are particularly relevant.

Good Governance Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- The Constitution (Delegations to Committees and Officers, Financial Procedures and Contract Standing Orders, the Code of Conduct for Member/Officer Relations, Code of Corporate Governance, Code of Conduct for Employees, Code of Conduct for Members, Guidance for Members & Officers Serving on Outside Bodies)
- The Budget and Policy Framework
- Code on Officer/Member Relations
- Behaviour Framework which includes council values
- BHCC Anti-Fraud & Corruption Strategy and Framework

Good Governance Principle B: Ensuring openness and comprehensive stakeholder engagements

- Sustainable Communities Strategy (needs refreshing)
- Customer Experience Strategy
- Information Rights Framework (including Freedom of Information and Subject Access Requests)
- Formal Partnerships including the City Management Board
- Co-opted Members to Committees

Good Governance Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

- Corporate Plan
- Economic Strategy
- Carbon Reduction Programme
- Medium Term Financial Strategy
- Capital Investment Programme

Good Governance Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

- Business Framework
- Financial Regulations & Standard Financial Procedures
- Modernisation Portfolio of Change Projects and Programmes
- Contract Standing Orders

Good Governance Principle E: Developing the entity's capacity including the capacity of its leadership and with individuals within it

- Human Resources Policies
- Fair & Inclusive Action Plan (which includes equalities work with city partners)
- Staff and Member Training
- Scheme of Delegation to Committees and Officers
- Codes of conduct for members and officers

Good Governance Principle F: Managing risks and performance through robust internal control and strong financial management

- Risk Management Process part of Performance Management Framework
- Information governance & security Policies
- Health & Safety Policies
- Whistleblowing Policy

Good Governance Principle G: Implementing good practice in transparency, reporting and audit to deliver effective accountability

- Performance Management Framework
- Internal Audit Plan, Annual Internal Audit Review and Opinion, Independent Assessment of Internal Audit
- External Auditor's Annual Report

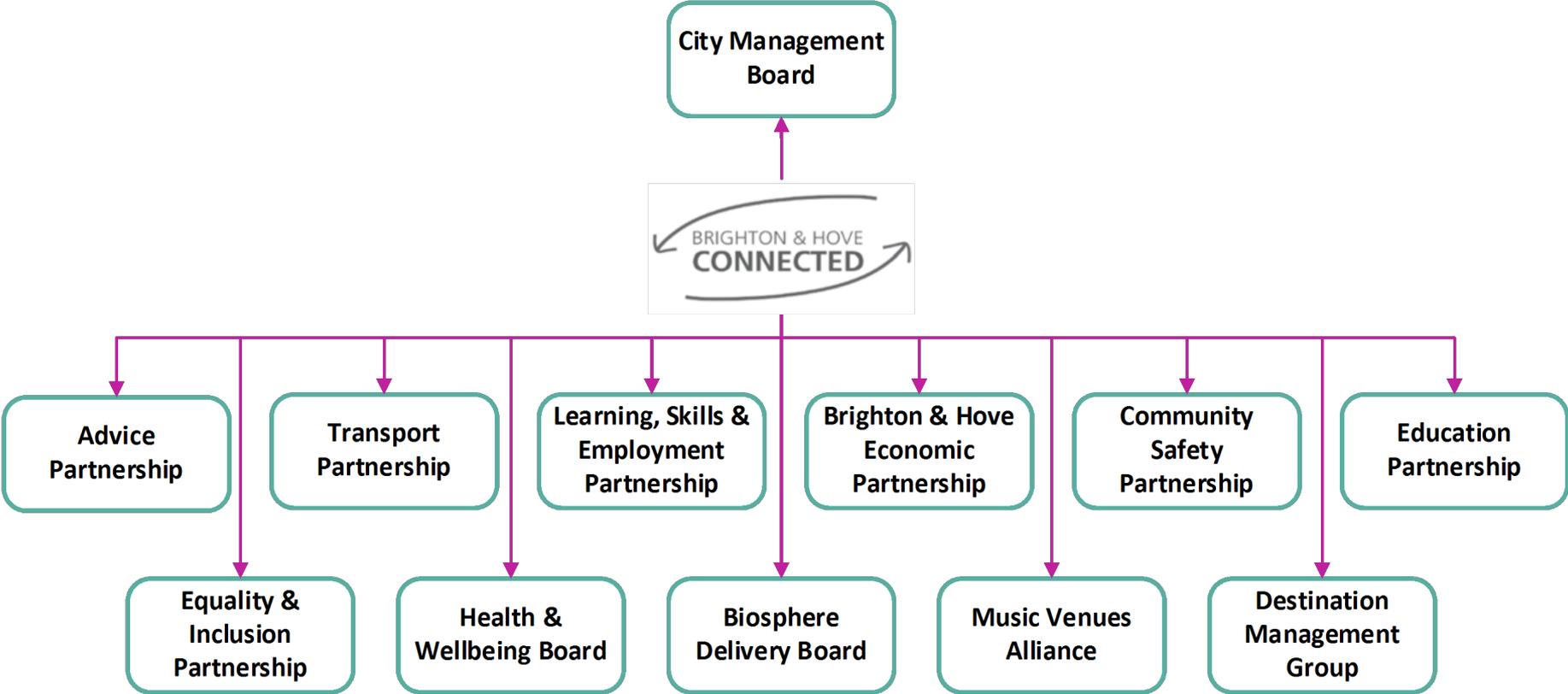
Appendix 7 Bodies BHCC works closely with and/or whose board BHCC nominates members to

- Sussex Integrated Care Board
- The Royal Pavilion & Museums Trust
- Brighton Dome and Festival Limited
- Brighton and Hove Estates Conservation Trust
- Brighton and Hove Music Trust
- Brighton and Hove Seaside Community Homes Ltd
- Gorham's Gift
- The Brighton Fund
- The West Pier Trust Board
- City Management Board

BHCC appoints members to a range of other external bodies and partnerships as a means of discharging the council's functions across the area of Brighton & Hove. A complete list of appointments is available in the papers of annual Council, which are published on the council's website.

Those external bodies include the East Sussex Fire Authority, which is a combined fire authority made up of members of its two constituent authorities: East Sussex County Council and BHCC, and the Police & Crime Panel; a joint committee which monitors and supports the Police and Crime Commissioner.

Thematic Partnerships



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Brighton & Hove City Council

Audit & Standards Committee

Agenda Item 11

Subject: Financial Management Code – Self-Assessment

Date of meeting: 27 June 2023

Report of: Chief Finance Officer

Contact Officer: Name: Nigel Manvell
Tel: 01273 293104
Email: nigel.manvell@brighton-hove.gov.uk

Ward(s) affected: All

1 Purpose of the report and policy context

- 1.1 This report contains a self-assessment and review of the council's level of compliance with the standards set out in the Chartered Institute of Public Finance & Accountancy's (CIPFA's) Financial Management Code (FM Code). It documents the detail of what is expected within each standard and provides evidence of compliance, including references to associated documentation where appropriate.
- 1.2 The FM Code is a relatively new code developed by the accountancy body in response to both growing financial challenges across the local government sector and an increasing, but still rare, number of governance and/or financial failures across the sector involving Section 114 notices or government interventions.

2 Recommendations

- 2.1 That the Audit & Standards Committee note the authority's self-assessment against the Financial Management Code and the identified improvement actions set out in Appendix 2.

3 Context and Background Information

- 3.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) is the professional accountancy body that determines codes of financial and accounting practice for local government and other public sector bodies in consultation with government. In response to growing financial challenges and the importance of maintaining financial sustainability and resilience, CIPFA have developed a new Financial Management Code (FM Code) to supplement other codes including the Local Authority Accounting Code, Prudential Code and Treasury Management Code.
- 3.2 The FM Code is therefore designed to support good practice in financial management and to assist local authorities in demonstrating and maintaining their financial sustainability. The FM Code therefore sets the standards of

financial management for local authorities. The Code is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the foundation to financially manage the short, medium and long-term finances of a local authority including consideration of the financial resilience necessary to manage unforeseen demands or financial shocks.

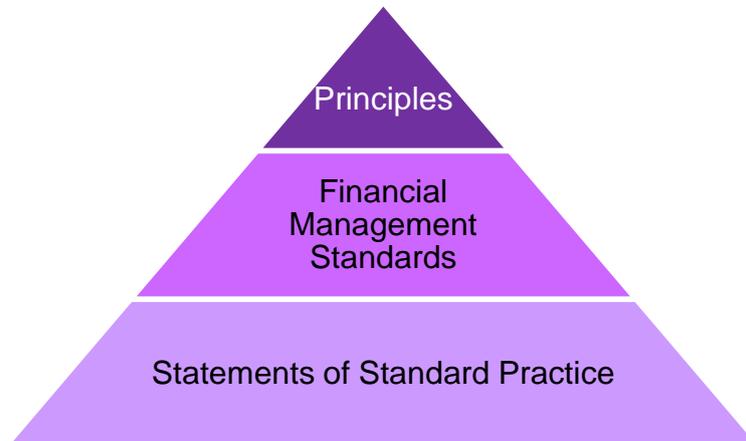
- 3.3 Although the FM Code does not have the status of statutory guidance, it has been developed as a means of enabling authorities to provide reassurance that they are maintaining the key standards of financial management which they are legally required to have in place. Each local authority must therefore demonstrate that the requirements of the Code are being satisfied. Demonstrating compliance with the FM Code is therefore a collective responsibility of elected members, the Chief Finance Officer and their professional colleagues in the officer leadership team.
- 3.4 The FM Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the Code requires that a local authority demonstrate that its locally developed processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.
- 3.5 If full compliance with the Code cannot be evidenced, this does not attract financial penalties or external intervention (e.g. from the government or External Auditor), however, it may still be of reputational importance. Therefore, where substantial compliance cannot currently be evidenced, there is a clear expectation that improvement actions should be identified to enable substantial compliance to be achieved within a reasonable time period, usually, within the current financial year.
- 3.6 CIPFA guidance issued in February 2021 stated that the Council's Annual Governance Statement (AGS) should include the overall conclusion of the assessment of compliance with the principles of the FM Code. Where there are outstanding matters, or areas for improvement, these should be included in the action plan. The 2022/23 Annual Governance Statement has already been completed but this requirement will be incorporated into future Annual Governance Statements.

4 THE STRUCTURE OF THE CODE

- 4.1 To enable authorities to test their conformity with the CIPFA Principles of Good Financial Management, the FM Code translates these principles into Financial Management Standards and Statements of Standard Practice. Providing evidence of adherence to the Financial Management Standards will therefore evidence that the principles are being correctly applied.
- 4.2 The six core principles underpinning the Code are:
 1. Leadership
 2. Accountability
 3. Transparency
 4. Standards
 5. Assurance
 6. Sustainability

These are translated into 17 Financial Management Standards, denoted from A to Q, as shown in Appendix 1 which provides a high-level view of overall compliance. The basic structure of the FM Code is therefore as follows:

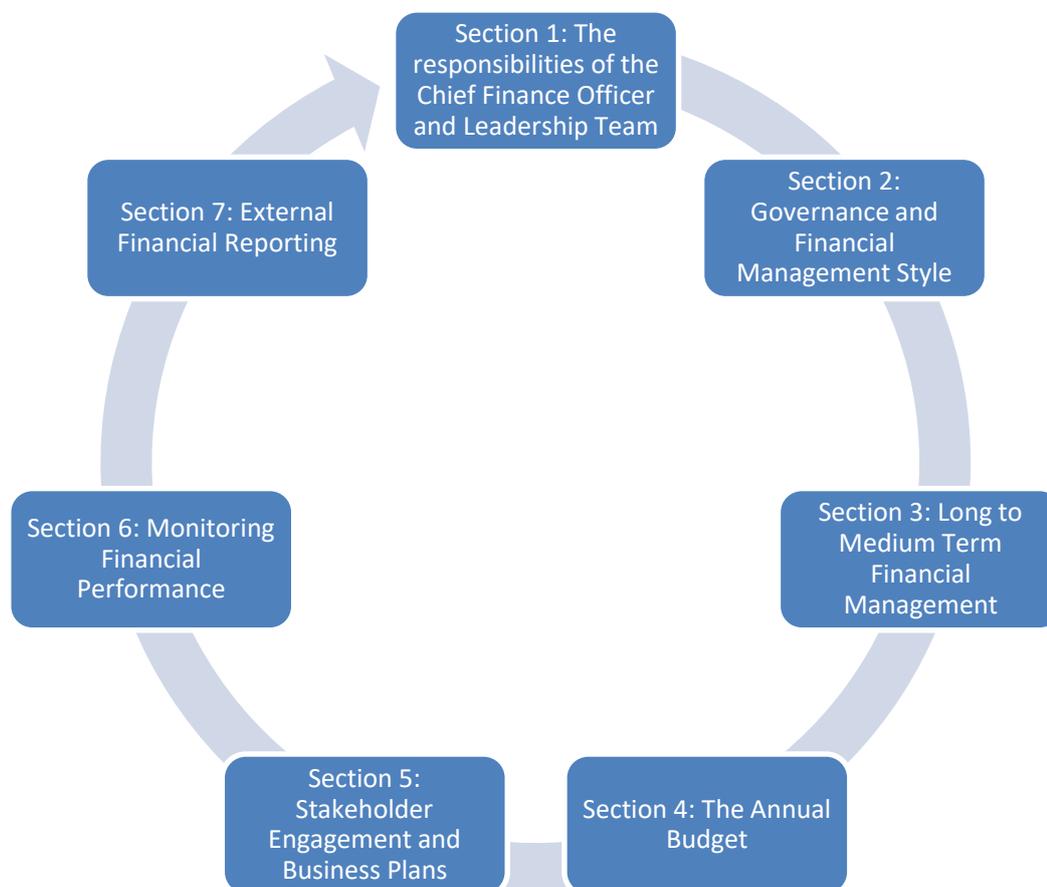
[The Structure of the Code [p7], The CIPFA Financial Management Code [Consultation Version] © CIPFA]



- 4.3 CIPFA expects that compliance with the Financial Management Standards will typically be achieved by assessing compliance with the Statements of Standard Practice that underpin each of the Financial Management Standards and developing improvement actions where compliance gaps are identified. This list of statements is divided into 7 sections, each of which

forms part of what is referred to in the Code as the 'Virtuous Management Cycle' as follows:

[The Virtuous Financial Management Cycle [p11], The CIPFA Financial Management Code [Consultation Version] © CIPFA]



5 Self-Assessment of Compliance

- 5.1 Accordingly, each of the 17 Financial Management Standards have been assessed using a Red, Amber, Green rating system where Red indicates minimal or no compliance, Amber indicates partial compliance and Green indicates substantial or full compliance as follows:

Compliance Assessment	Description
Substantial	Substantial of full Compliance / Minor improvement recommendations only
Partial	Partial Compliance / Several areas for improvement
Minimal	No or Minimum Compliance / Significant or whole areas require improvement

- 5.2 The overview of the Authority's current level of assessed compliance at Appendix 1 shows that there are no Red (Minimal) compliance areas, 7 Amber (Partial) areas of compliance and 10 Green (Substantial) areas of compliance. Appendix 2 sets out the detailed evidence against each standard together with 'Identified Improvement Actions' to both achieve substantial compliance and further improve financial management.

5.3 Overall, the council's self-assessment therefore indicates a **reasonable-to-good** level of compliance with the underlying principles of the FM Code but even for areas where there is full or substantial compliance, the aim is to strive for continuous improvement and therefore some improvement actions may have been identified. However, there are some areas where compliance can be improved across the six principles, particularly in respect of the following:

- Most importantly, the financial management style of the council and how this can support financial sustainability.
- The development and alignment of the Medium-Term Financial Strategy with sustainable service and capital programme planning.
- Enhancing the approach to Value for Money and arrangements for optimising the use of resources.
- Improving Capital Programme planning, evaluation and monitoring.
- Improving options appraisal processes and their consistency and robustness.

Improvement actions covering these and other areas are set out in Appendix 2.

5.4 The Orbis Internal Audit service, provided in partnership with Surrey and East Sussex County Councils, has independently reviewed the self-assessment in an advisory capacity. Their review has given assurance to management that the evidence provided does support the assessment rating given for each standard and they have further suggested other improvement actions which have been incorporated into the self-assessment and improvement actions. Similarly, the self-assessment has also given consideration to recommendations made by the External Auditor in their 2021/22 Annual Report to the 24 January 2023 meeting of the Audit & Standards Committee. Responses to these recommendations have also been incorporated into the self-assessment.

6 Analysis and consideration of alternative options

6.1 Compliance with the FM Code is a clear expectation of the public sector accountancy body, CIPFA, and represents evidenced good financial management practice. While the code is not statutory, significant non-compliance is likely to indicate that an authority has weak financial management and is unlikely to be able to evidence how it considers value for money in its decision-making. Poor compliance is also likely to have reputational implications and will almost certainly be of interest to an authority's External Auditor.

7 Community engagement and consultation

7.1 The self-assessment has been shared with the Executive Leadership Team (ELT) for comment and review and with the Orbis Internal Audit service for review and advice.

8 Conclusion

8.1 The FM Code self-assessment is intended to be a live document to support continuous improvement in financial management. The self-assessment will be reviewed and updated annually and progress on the activities included within the Action Plan will be presented to future meetings of the Audit &

Standards Committee either directly or as part of Annual Governance Statement reporting.

9 Financial implications

- 9.1 Section 151 of the Local Government Act 1972 states that “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers [the Chief Financial Officer] has responsibility for the administration of those affairs”. CIPFA’s judgement is that compliance with the FM Code will assist both Chief Financial Officers and local authorities to demonstrate that they are meeting these important legislative requirements.
- 9.2 The ‘Identified Improvement Actions’ set out in Appendix 2 are expected to be deliverable within existing resources across the Governance, People & Resources Directorate, particularly the Finance and Procurement functions, but if additional implementation resources are found to be required at a later date, these will first be considered by the Executive Director Governance, People & Resources within the context of the directorate’s overall budget and resourcing, and, if this has additional budgetary implications, will be brought forward for member consideration and approval as necessary.

Finance officer consulted: James Hengeveld Date: 12/06/23

10 Legal implications

- 10.1 It is understood that the FM Code builds on and links to other key CIPFA Codes of Practice that apply to local authorities (including those relating to capital finance, treasury management and accounting). The FM Code has been developed to assist local authorities in demonstrating that they have met these important financial management standards, as they are required to do by law. Although the FM Code itself does not have the status of statutory guidance, local authorities are expected to use it to provide reassurance regarding the council’s current arrangements in this area and to demonstrate compliance.
- 10.2 This Committee is the appropriate body to receive this report given its delegated powers in relation to financial governance and stewardship, risk management and audit.

Lawyer consulted: Victoria Simpson Date consulted: 14.6.23

11 Equalities implications

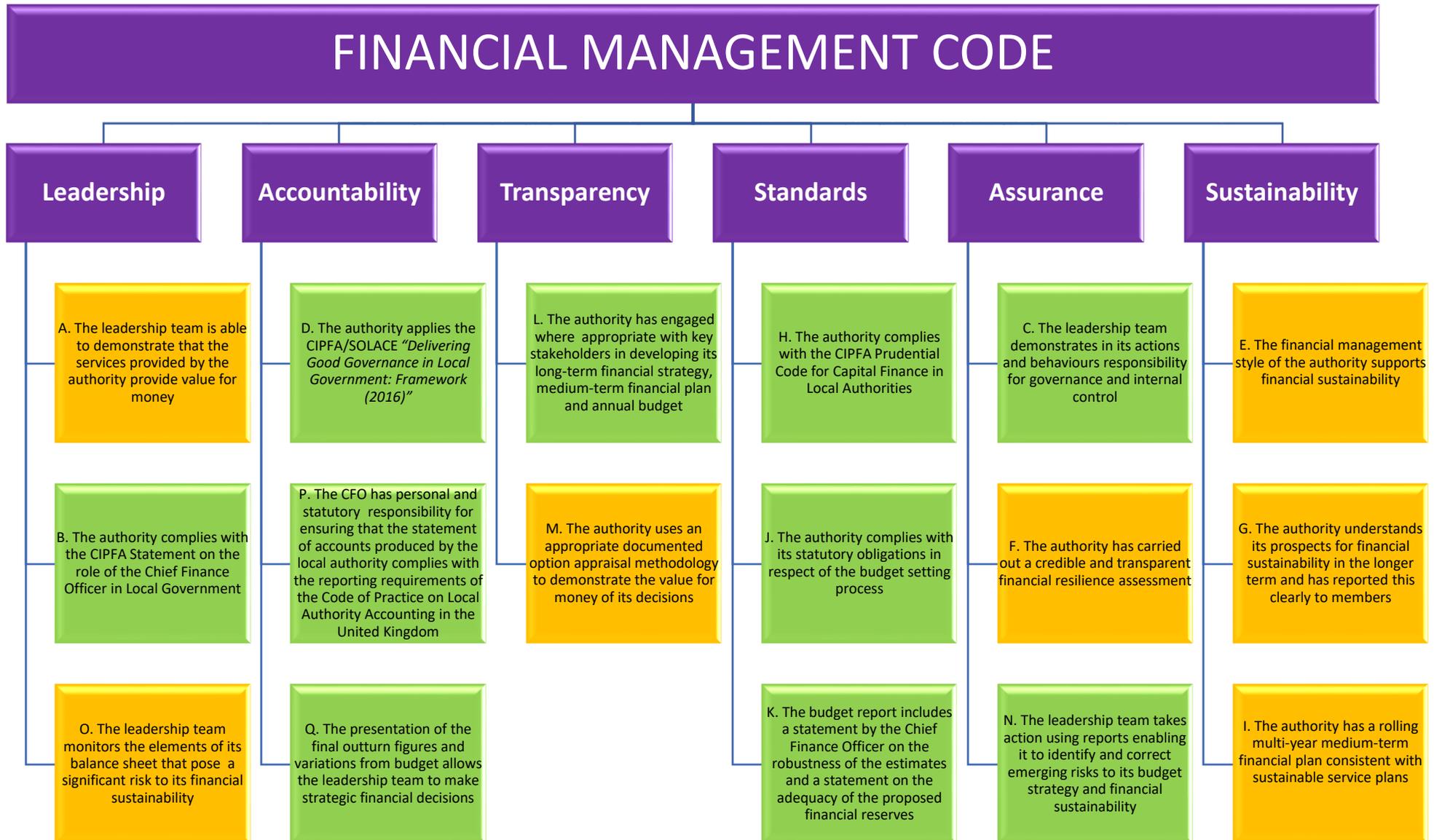
- 11.1 Effective financial management supports the authority in achieving its priorities and objectives which includes providing value for money services to residents and ensuring that services for vulnerable or disadvantaged groups are able to maximise the resources available to them to reduce inequality.

12 Sustainability implications

- 12.1 Similarly, effective financial management ensures that financial decisions and governance take into account wider impacts including sustainability in both the short and medium term.

Appendices

1. Self-Assessment: Overview of Compliance
2. Self-Assessment: Detailed evidence and identified improvement actions



CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
Section 1. The Responsibilities of the Chief Finance Officer and Leadership Team		
A: The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM).		
Tests of compliance: <ol style="list-style-type: none"> 1. Does the authority have a clear and consistent understanding of what VFM means to it and to its leadership team? 2. Does the authority have suitable mechanisms in place to promote VFM at a corporate level and at the level of individual services? 3. Is the authority able to demonstrate the action that it has taken to promote VFM and what it has achieved? 		
<p>The authority has a strong understanding of its performance relative to the cost of services. The authority has experienced substantial budget savings requirements for many years, and this necessarily drives an annual review of all budgets and expenditure to ensure that costs are reasonable relative to performance, outcomes and priorities, and that income is maximised. The Executive Leadership Team (ELT) (Chief Officer team) play a key role in driving the budget process.</p> <p>Where decisions are made to increase spend on services, for example insourcing or additional investment, this is taken in the context of all VFM factors including social value, customer satisfaction, performance, workforce planning, Corporate Plan priorities, and associated capital investment requirements as well as the cost of service.</p> <p>The council is not at low or average cost for all services when compared to comparator authorities, but where this is the case it is scrutinised and well understood, and often reflects other agreed political or Corporate Plan objectives.</p> <p>A robust framework of policies, procedures and reporting is in place to support VFM and scrutiny including:</p> <ul style="list-style-type: none"> - Corporate performance KPI's and monitoring; - A Business Planning Framework linking the Corporate Plan through to directorate business plans with objectives and targets; - A Performance Management framework including individual Performance Development Plans; - A talent and leadership development approach (the People Promise); - A Risk Management Framework; - An Annual Governance Statement and Action Plan. 	Partial	<p>Develop and agree responses to the findings and recommendations of the LGA Deep Dives and Peer Reviews and incorporate the financial implications in the MTFS.</p> <p>Annually review the council's VFM profiles through LG Inform or similar robust statistical information and report thereon to ELT and Members to maintain awareness of VFM and monitor progress.</p> <p>Embed the use of VFM profiles and other comparative data to inform the focus for the Medium Term Financial Strategy and Directorate Service and Financial plans.</p> <p>Respond to VFM improvement recommendations from the External Auditor, Inspections and other formal internal or external reviews.</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>In addition, the authority has well-defined Contract Standing Orders (CSO's) supported by comprehensive Procurement Policies and a practised Procurement function (operated in partnership with Orbis partners) which support the achievement of value for money through tendering and contracting.</p> <p>Alongside this, a range of independent reviews and information are used to inform VFM as follows:</p> <ul style="list-style-type: none"> - A 2020/21 enterprise review of all services (assessing all services' knowledge of performance, costs and comparative information); - Inspections (Ofsted/CQC); - Peer reviews including LGA Desktop reviews and 'Deep Dives' in Adults and Children's social care; - ASC 'Test of Assurance' review (LGA Peer Review) - External Audit VFM Annual Reports; - Benchmarking e.g. Housemark, LG Inform VFM Profiles, ASCFR, S251 Statements, Cipfa Resilience Index, etc. <p>No services within the council have been untouched by financial constraints and/or the need to make financial savings due to a long history (13 years+) of annual budget gaps and associated savings requirements. There is therefore widespread understanding of the financial challenges in the authority and the need to maximise the use of resources.</p>		<p>Continuing to improve contract management and procurement skills across budget managers and contract managers through ongoing roll-out of training and intervention jointly provided by the council's Legal and Procurement functions.</p>
<p>B: The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Is the authority's CFO a key member of the leadership team, involved in, and able to bring influence to bear on, all material business decisions? 2. Does the CFO lead and champion the promotion and delivery of good financial management across the authority? 3. Is the CFO suitably qualified and experienced? 4. Is the finance team suitably resourced and fit for purpose? 		
<p>The CFO is a key member of the Council's Executive Leadership Team and is the Council's S151 officer. The CFO reports to the Chief Executive and the Executive Director of Governance, People & Resources and holds regular finance meetings with the lead member for finance.</p> <p>The CFO also meets regularly with key members of the Administration, attends and supports the Audit & Standards Committee, and attends a statutory officers meeting ('Governance Assurance Meeting') comprising the CEO, Monitoring Officer, Director of HR and other key officers. These forums provide sufficient opportunities for the Leader, Finance Lead Member, Chair of Audit & Standards, Chief Executive and other senior officers to have oversight of financial risks and issues and to enable the CFO to be actively involved in, and able to bring influence</p>	<p>Substantial</p>	<p>Potential independent assessment of the Authority's Finance Function to provide assurance over the level of resources and skills available to support the Authority to achieve financial sustainability and value for money over the medium term. This could be similar to the recent quinquennial external review of</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered.</p> <p>The CFO or their representative networks externally and works closely with other Local Authority s151 Officers for example through the Orbis Partnership with Surrey and East Sussex County Councils, through the Society of Unitary Treasurers (SUT) and through the LGA.</p> <p>Effective financial management is promoted throughout the whole Council through regular communication with budget managers, a business partnering approach to supporting budget managers and Directorate Management Teams (DMTs), and provision of induction and training for managers. This ensures that finance is prioritized, including regular financial reporting to Directorate Management Teams, the Executive Leadership Team, the Finance Lead Member, and Strategy, Finance & City Regeneration Committee. Business Partners attend DMT's and Finance is represented on internal governance boards.</p> <p>The current CFO is a professionally qualified (CIPFA) accountant with over 10 years' experience as a CFO. The CFO champions and drives good financial management through the design of the authority's budget monitoring and reporting mechanism, through the development of robust Financial Regulations and Procedures to strengthen internal control, through leading the budget setting process, through provision of an adequate and effective audit and commissioned audit review, and through effective risk management and reporting.</p> <p>The Council's finance team is resourced with appropriately qualified accountants and technicians. The finance function is staffed mainly through permanent staffing with good levels of knowledge and experience, particularly at senior levels. Specialist knowledge is also externally commissioned in some areas including pensions, asset valuations, VAT and treasury management. However, the growing financial challenges and the complexity of demands have put increased pressure on the function and there are potential capacity risks and issues for the future.</p>		<p>Internal Audit and could be commissioned from an appropriate professional or peer body such as Cipfa.</p>
Section 2. Governance and Financial Management Style		
C: The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control.		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Does the Leadership Team espouse the Nolan principles? 2. Does the authority have in place a clear framework for governance and internal control? 3. Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability? 4. Does the Leadership Team espouse high standards of governance and internal control? 		

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>5. Does the Leadership Team nurture a culture of effective governance and robust internal control across the authority?</p> <p>The council's employment contracts, its Employee Code of Conduct, council induction, agreed leadership behaviours, and leadership development programmes all support Nolan principles and aim to strengthen governance, integrity, internal control, and information governance and security, particularly at senior officer levels. This is supported by appropriate Schemes of Delegation to Officers, Financial Regulations and Contract Standing Orders, Whistleblowing and Anti-fraud & Corruption policies, registers and declarations of interest and related parties, and the Internal Audit & Counter-Fraud service.</p> <p>The council's constitution is in 8 parts, covering committee and officer delegations, procedure rules including Information Governance, Finance, Contracts and Employment, and Codes of Conduct and protocols for members and officers. These provide clear guidance on governance arrangements, including financial thresholds for approvals to spend or authorise contracts and also set out clear responsibilities for Chief Officers and the Chief Finance Officer regarding internal controls and governance.</p> <p>There is an effective Internal Audit & Counter-Fraud service (provided in partnership with Surrey and East Sussex County Councils as part of Orbis) which conducts a cycle of annual audit reviews as set out in the Annual Audit Strategy and which provides assurance and improvement recommendations across a broad range of activities, focusing on internal controls. The service was recently independently assessed by the Chartered Institute of Internal Auditors (CIIA) against the Public Sector Internal Audit Standards (PSIAS) and achieved the highest level of conformance available against the professional standards with no areas of non-compliance identified.</p> <p>The Executive Leadership Team includes the S151 CFO, the Monitoring Officer and the Director of HR which ensures a high level of corporate oversight of executive governance as well as the ability to raise issues affecting corporate governance or internal controls including consideration of 'partial' or 'limited' assurance audit reviews which are also reported to the Audit & Standards Committee.</p> <p>ELT view audit reviews as an important tool for providing assurance and supporting continuous improvement. The Annual Audit Strategy & Plan is agreed with ELT who are also consulted on areas to be included for review.</p> <p>The council also has a statutory officer group (the Governance Assurance Meeting (GAM)) which provides a further escalation route for considering governance or internal control weaknesses. GAM includes the CEO, CFO, Monitoring Officer, Chief Internal Auditor, Director of HR, DPO, and Ass't Director Customer & Performance and reviews whistleblowing cases, information governance and other governance or internal control concerns, oversees and agrees improvement actions to be included in the Annual Governance Statement, and maintains a</p>	<p>Substantial</p>	<p>Improvement in response to the recommendation made by the External Auditor in the 2022/23 Annual Report:</p> <p>The council's Annual Governance Statement will be strengthened to ensure unequivocal alignment to the Cipfa Good Governance guidance in the following areas:</p> <ul style="list-style-type: none"> • Documenting how the council has monitored and evaluated the effectiveness of its governance arrangements in the year; • Communicating to users its governance arrangements and how the controls it has in place manage risks of failures in delivering its outcomes. It should reflect an individual authority's particular features and challenges.

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>watching brief on emerging risks and issues.</p> <p>Elsewhere, the external auditor’s Annual Reports have not identified any significant governance weaknesses and the latest review made only two minor improvement recommendations which have informed the adjacent ‘Identified Improvements’.</p>		
<p>D: The Council applies CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)".</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Has the authority sought to apply the principles, behaviour and actions set out in the framework to its own governance arrangements? 2. Does the authority have in place a suitable local code of governance? 3. Does the authority have a robust assurance process to support its AGS? 		
<p>The Council has a clear framework for governance and internal control. There is an approved and adopted Code of Corporate Governance, Part 8.11 of the council’s constitution, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016) (Link: Part 8.11 Code of Corporate Governance). This uses the ‘3 lines of defence’ model of management controls, corporate oversight and independent review to provide assurance.</p> <p>The council’s Annual Governance Statement (AGS) demonstrates adherence to the CIPFA code and needs to be read alongside the Council’s constitution. The AGS is reported to the Audit & Standards Committee (Link: Annual Governance Statement 2021-22).</p> <p>Executive Directors review and annually assess the governance and assurance arrangements of their directorates with reference to strategic and directorate risk registers, audit reviews and AGS actions.</p> <p>The AGS details achievement of objectives, capability and capacity alongside the sustainability of resources, and identifies mitigations to identified risks and other improvement actions. It includes an internal audit assessment of governance arrangements in place and an Annual Audit Opinion reported to Audit & Standards Committee.</p> <p>Induction training for all new Members, following the May 2019 elections, included a focus on governance, code of conduct and officer/member relations. This will be repeated for the induction of new members following the forthcoming May 2023 elections.</p> <p>All partial and limited assurance audit reports and recommendations are considered by the Executive Leadership</p>	<p>Substantial</p>	<p>No specific actions are identified but the Annual Governance Statement for 2022-23, currently being developed, will be reviewed in the context of the Cipfa FM Code requirements and guidance, and will take on board the self-assessment findings and improvement actions identified in this report.</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>Team and are reported in summary to the Audit & Standards Committee for oversight.</p> <p>The council’s Information Governance framework sets out how it manages information and keeps it secure and consists of:</p> <ul style="list-style-type: none"> • Information Risk Management Policy • Information Security Policy • Data Protection Policy and GDPR Guidance • Appointment and oversight of a DPO • Appointment of and ICO and SIRO <p>To ensure awareness of Information Governance and GDPR requirements, the council has developed a mandatory Information Governance e-Learning course for all staff which must be taken annually.</p> <p>The External Auditor’s Annual Report (Audit & Standards Committee 24 January 2023), which considers governance arrangements as a key part of their review, has not raised any concerns of non-compliance within the council’s Annual Governance Statement or with the ‘Delivering good governance in Local Government Framework’ (2016 Edition).</p>		
<p>E: The Financial Management style of the Council supports financial sustainability.</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Does the authority have in place an effective framework of financial accountability? 2. Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services? 3. Does the authority’s finance team have appropriate input into the development of strategic and operational plans? 4. Do managers across the authority possess sufficient financial literacy to deliver services cost effectively and to be held accountable for doing so? 5. Has the authority sought an external view on its financial style, for example through a process of peer review? 6. Do individuals with governance and financial management responsibilities have adequate delegated powers and appropriate skills and training to fulfil these responsibilities? 		
<p>The council has developed a Targeted Budget Management (‘TBM’) reporting framework which covers revenue and capital budget performance across all funds (GF, DSG, HRA), as well as other metrics such as income collection performance, monitoring of savings programmes, and compliance with Purchase Order (commitment accounting) requirements. TBM ensures that all capital and revenue cost centres are allocated to a named Budget Holder and named Finance Officer. Budget Holders are able to input forecasts (based on outturn forecasts) to the budget monitoring system (on SharePoint) and required to update forecasts either monthly or quarterly depending on the assessed scale, risk or complexity inherent in each budget area. TBM is reported monthly to Directorate</p>	<p>Partial</p>	<p>Greater involvement of the Policy Team in developing the budget and MTFS will help to improve alignment with Corporate Plan priorities and objectives, strategic partnerships, and other policy priorities and steers.</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>Management Teams, the Executive Leadership Team, and a minimum of 5 times per year to Members (Committee).</p> <p>The authority has experienced budget shortfalls (gaps) for the last 13 years requiring identification of very substantial (£10m+) savings programmes each year. In order to minimise cuts to essential services, this inherently drives an approach of maximising efficiencies, optimising income sources and carefully considering where investment can reduce longer term costs, either through the use of its Modernisation Fund supported by capital receipt flexibilities, through capital investment (e.g. digital technologies), or through invest-to-save approaches, for example, investment in preventative services or new models of social care.</p> <p>The authority’s CFO and Finance team currently lead the development of the annual revenue and capital budgets and Medium Term Financial Strategy for all funds (GF, DSG and HRA). The Finance Service operates a Strategic Business Partner service model which ensures that each directorate has a lead Finance Business Partner (senior Finance staff) in attendance at Directorate Management Teams thereby ensuring that Finance are directly involved in the development of policy and strategy across the council alongside their service management peers. Similarly, the CFO is a member of ELT where significant policies and strategies are considered for sign off and approval. All reports to members for decision also require ‘Financial Implications’ statements, provided by senior finance staff on behalf of the CFO, to ensure that the full financial impact of policy or business decisions are transparent and consider affordability and value for money. Reports also consider sustainability and equality impacts as a mandatory requirement.</p> <p>Financial literacy across budget managers can be variable and depends primarily on the experience and aptitude of individuals. However, all budget managers are provided with Finance Surgeries (following appointment or promotion) to ensure they have full awareness of reporting/forecasting (TBM) and procedural requirements (e.g. Standard Financial Procedures including internal controls) as well as an understanding of capital and revenue budgets, VFM and the annual budget process. All budget managers also have named Finance Contacts available to assist with queries or concerns. The responsibilities of budget managers are clearly set out in Standard Financial Procedures (Part 7.4 Standard Financial Procedures). Similarly, there is a corporate procurement function that also operates as a business partner model and provides support, advice and training to contract and procurement managers to ensure compliance with Contract Standing Orders (CSOs) and support the achievement of improved value for money through procurement as well as other objectives including sustainability and social value.</p> <p>The Authority’s challenging financial position over many years has meant that the External Auditor has closely monitored the Authority’s financial sustainability and resilience, noting that its use of Medium Term Financial</p>		<p>A greater emphasis on integrating Capital, Revenue and invest-to-save financial planning aligned to the development of the annual budget and MTFS will ensure that the sustainability of all aspects of the budget are considered together.</p> <p>Budget setting will aim for robust Medium term financial planning over at least a 4-year planning period with associated service and financial plans and strategies spanning the MTFS period.</p> <p>The approach for adopting the above improvements will be agreed with ELT and Members and will be set out in the July Budget Planning and Resource Update report to committee.</p> <p>An external review of the Finance Function (as mentioned in B above) could incorporate a review of the robustness of the planning approach and the capability of the Finance Function to support and respond to the continuing challenging financial environment.</p> <p>Review and improve financial information, procedures, guidance</p>

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<p>Planning has helped it to identify budget shortfalls (gaps) in advance and use this information to inform the budget setting process, including the development of savings options to address identified gaps. However, following recent, very challenging years which have seen the modest use of reserves to support the budget, an overspend of 1.3% of net budget in 2022/23 (£3m) and some under-achievement of savings targets due economic conditions, the latest Annual Report from the External Auditor identifies Financial Sustainability as a ‘significant weakness’ and the report therefore includes a ‘Key Recommendation’ to focus on improving sustainability. The recommendations were accepted by the council and have informed the adjacent ‘Identified Improvements Actions.’</p> <p>Elsewhere, during 2022/23 the Authority engaged the LGA on a number of occasions to provide peer support regarding both its financial sustainability and VFM and to look at specific areas including Adult and Children’s Social Care. The LGA is able to call on research and evidence from the work it does across the sector and these reviews can help to inform areas to target for improved VFM as well as identify potential changes to commissioning and procurement strategies. The External Auditor also comments on the authority’s approach to financial sustainability and effective use of resources which recognises that the authority’s medium term planning is effective at identifying financial challenges but has recommended both a more strategic and prioritised approach to identifying savings opportunities and considering a different approach to mitigating any under-achievement of savings.</p> <p>As noted above, training and coaching is provided to newly appointed or promoted budget managers which is tailored to the level of responsibility held. For example, Executive Directors and Assistant Directors will be given an overview of Local Government Finance and the council’s overall financial structure alongside more generic financial management training. The council’s Standard Financial Procedures (see link above) clearly set out the responsibilities of Executive Directors (or their nominees) and also set financial limits and thresholds for approvals or authorisations (e.g. budget virement, capital programme variation write-off of debts, etc). Similarly, Contract Standing Orders clearly set out approval and sign-off limits for procurements and contract award. The Scheme of Delegation to Officers further defines the responsibilities of Executive Directors, the CFO, the Director of HR and other officers including the scope of any specific financial responsibilities.</p> <p>The Strategic Business Partner approach adopted by the Finance function ensures that Finance Business Partners are present at Directorate Management Teams and other SMTs and are therefore able to identify gaps in financial skills and knowledge, particularly at senior management levels. Similarly, Finance staff have regular contact with lower-level budget managers and are able to identify gaps in financial skills. In this respect, specific training has been tailored and provided to services from time to time. Internal Audit reviews of financial management and</p>		<p>and training available on the council’s intranet (the Wave) and Learning Zone to support and strengthen the approach above.</p> <p>The authority should aim for a rolling programme of peer reviews from appropriate peer organisations and/or councils as part of an ongoing approach to improving VFM and sustainability.</p>

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administrative processes, systems and controls also ensure that improvement actions are identified, including addressing skills gaps.		
Section 3. Medium to Long-term Financial Management		
F: The authority has carried out a credible and transparent financial resilience assessment.		
Tests of Compliance: <ol style="list-style-type: none"> 1. Has the authority undertaken a financial resilience assessment? 2. Has the assessment tested the resilience of the authority’s financial plans to a broad range of alternative scenarios? 3. Has the authority taken appropriate action to address any risks identified as part of the assessment? 		
<p>The Authority assesses financial resilience in a number of ways and reports this to members accordingly. As an Authority with severe financial challenges and having experienced budget shortfalls of £10m to £20m per annum since 2010, the Authority is acutely aware of financial sustainability and resilience concerns. A testament to the effectiveness of its financial planning and financial management is that the Authority had not overspent during this period despite challenging annual savings requirements. However, a potential overspend is likely in 2022/23 (subject to the audited outturn) which is primarily due to the exceptional inflationary spike during 2022/23.</p> <p>Financial sustainability and resilience is considered and reported in a number of ways as follows:</p> <ul style="list-style-type: none"> • The CFO’s (S25) statement on the assessment of the robustness of estimates and the adequacy of reserves and provisions which considers the level of unallocated and earmarked reserves in light of identified risks and commitments. • A twice-yearly ‘Review of Reserves and Provisions’ reported as part of the Annual Budget and the Provisional Outturn monitoring report (TBM). • Development of a Medium Term Financial Strategy which is updated at least 3 times annually and which includes cost, income and resource (funding & revenues) projections for 4 years, with sensitivity of High, Medium and Low scenarios. This ensures future budget shortfalls (gaps) are identified early in the planning cycle and informs longer term planning. • Consideration of overall financial health informed by the External Audit Annual Report, recent LGA Peer Reviews and the Cipfa Resilience Index. These are used to compare the Authority’s indebtedness, reliance on income, levels of unallocated and earmarked reserves, and overall comparative spending and VFM. The Cipfa Resilience Index is publicly available and uses the latest annual data available (2021/22). It shows that the authority’s financial characteristics are broadly average for the majority of key indicators including the level of borrowing, capital financing costs, Council Tax requirement, business rate growth etc. However, there are two 	Partial	<p>The authority will continue to use external peer reviews and the findings of the External Auditor’s annual report to provide independent assessment of its financial resilience.</p> <p>The authority has developed prioritisation tools that could help it to improve financial resilience and sustainability and will consider how these can be utilised more formally in future budget setting rounds and in developing the MTFS.</p> <p>The council has agreed in principle to the improvement recommendations made by the External Auditor which are that the council should:</p> <ul style="list-style-type: none"> • Revisit financial plans with sustainability of reserves in mind to ensure medium term financial plans demonstrate a realistic plan

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<p>outlying areas: 1) the amount that the council generates from fees & charges is above average (primarily due to high visitor numbers) which is viewed as a positive result by CIPFA but also carries the burden of needing to maintain income at higher levels, and 2) the level of reserves is low by comparison with other unitary authorities or with 'nearest neighbour' comparators. The latter result is viewed as a high risk.</p> <ul style="list-style-type: none"> • Identification of Financial Sustainability in the council's Strategic Risk register (SR02) which is regularly updated and reported to Audit & Standards Committee and the Executive Leadership Team. <p>Strategic Risk 2 (SR02) concerns financial sustainability and is reported within the Authority's Risk Management Framework. The mitigations set out in SR02 are essentially those set out above and focus on effective Medium Term Financial Planning, including projections and scenario-testing, to provide early identification of future budget shortfalls to enable early planning and identification of options to achieve a balanced budget.</p> <p>The Authority has also developed two tools for both members and officers to utilise that can help in prioritising services and determining those where reduced investment, savings or dis-investment could be considered. One tool uses 6 criteria against which to assess services and enables weighting of the criteria (e.g. Financial Sustainability) as desired. The criteria are:</p> <ul style="list-style-type: none"> • Long-term Financial Sustainability • Community Wealth-Building Potential • Contribution to 2030 zero net carbon target • Addresses Housing & Homelessness Pressures • Supports a diverse, welcoming & tolerant city • Supports Health and Wellbeing • Supports those facing the impacts of austerity <p>The other tool provides a 'Budget Categorisation' analysis of all council services and determines whether services are Statutory, Business Critical, Income Generating, Business Important, a Policy Priority, or Discretionary. This does not mean that any category (e.g. Statutory services) is exempt from savings and efficiencies, but it does help to understand the relative importance of services.</p>		<p>for replenishing reserves where one-off use is expected to cover budget gaps.</p> <ul style="list-style-type: none"> • Focus its financial planning on reducing reliance on one-off measures and properly consider opportunities to review service delivery, particularly the prioritisation of statutory versus discretionary spend. • Review the process of setting savings schemes to build a greater element of contingency and over-programming into monitoring arrangements around those savings plans so that they are sufficiently robust to support the delivery of the current large scale savings plans necessary to bridge the budget gap. Due consideration must be given to the fact that the Council is likely going to need to make very difficult financial decisions in the near future if it is to maintain its financial stability.
<p>G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Does the authority have a sufficiently robust understanding of the risks to its financial sustainability? 2. Does the authority have a strategic plan and long-term financial strategy that adequately address these risks? 3. Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face 		

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<p>(e.g., using a technique such as scenario planning)?</p> <p>4. Has the authority reported effectively to the Leadership Team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these on short and medium-term decision making?</p>		
<p>The responses to FM Ref 'F' above also apply here.</p> <p>The Authority has developed and regularly updates a Medium Term Financial Strategy which includes prudential assumptions and estimates of inflationary impacts and pay awards, anticipated demographic pressures, commitments including the impact of capital financing decisions, estimates of changes to tax bases and taxation increases, and assessments of income growth and government grant funding potential (based on Spending Reviews and LG Financial Settlements). These are tested to provide Worst to Best case scenarios. This provides the Authority with a clear picture of its probable financial position, which, in common with many authorities, demonstrates severe ongoing financial challenges without substantial increases in government grant and/or local taxation. It also enables the council to understand its financial sustainability in a worst-case scenario i.e. whether or not it would have enough reserves and balances to manage in such as scenario.</p> <p>The Authority has previously aimed to adopt longer term financial planning to align with its 4-year Medium Term Financial Strategy, however, a combination of factors have meant this has not been possible for some years. The following factors have mitigated against effective medium-term financial planning:</p> <ul style="list-style-type: none"> • The provision of short-term (1-year) settlements for local government with considerable uncertainty and movement from year-to-year. The 2023/24 financial settlement was the 5th single-year settlement in a row. • Successive governments' failures to review the system of local government finance including resolving the long-term funding of social care. Further delays to the Fair Funding Review, Business Rates review, and social care funding reform have now been confirmed and are unlikely to be resolved until after a General Election. • Other factors including managing through the pandemic and more recently responding to economic conditions, including an enormous inflationary spike, and a growing cost-of-living crisis. • A No Overall Control political balance which conflicts with long-term, strategic planning due to political tensions and the challenge for any minority group of securing support for difficult and often politically emotive cost or service reductions in order to address budget shortfalls. <p>As noted above, the Authority has the financial planning information, scenario-testing, tools and procedures in place in order to address medium-term financial challenges but has not been able to apply these beyond a one-year planning horizon for some years. They have, however, enabled some prioritisation and alignment of savings and investment decisions with Corporate Plan priorities, including Capital Programme Investments, but planning on a short-term basis can undermine longer term sustainability. There are, however, areas of clear alignment with</p>	<p>Substantial</p>	<p>The responses to FM Ref 'F' above also apply here.</p>

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<p>the Authority’s Corporate Plan, particularly concerning Housing & Homelessness, improving Council Tax Reduction (equality), improving sustainability and social value in procurement, and substantial investment in social care but this could be strengthened through an increased focus on medium-term service and financial planning.</p> <p>The Authority’s financial outlook and sustainability is regularly discussed and reported to the Executive Leadership Team and members. Budget update reports to July, December, and February committees (often more frequently) have highlighted for some years the growing financial pressures across the Authority, setting out the potential consequences of not addressing financial sustainability, including a potential Section 114 notice. Detailed briefings have been provided to members and officers on the legal and financial implications and potential consequences of not being able to set balanced budgets and/or exhausting reserves. This included two All-Councillor briefings in the lead-up to setting the 2023/24 budget and the provision of key legal and financial advice in committee reports in the lead up to setting the annual budget. Members have also been kept abreast of problems experienced by other authorities including Croydon, Thurrock, Slough and Liverpool among others.</p> <p>The General Fund budget report to Full Council in February also includes a detailed risk assessment (Appendix 5 of the report) of both short-term (i.e. current planning year) and medium-term risks, and scores these in accordance with the council’s risk management framework. This also indicates the scale of impact (for example, a 1% variation) and provides control measures and mitigations to address the identified risks should they materialise.</p>		
<p>H: The authority complies with the CIPFA “Prudential Code for Capital Finance in Local Authorities”.</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Has the authority prepared a suitable capital strategy? 2. Has the authority set prudential indicators in line with the Prudential Code? 3. Does the authority have in place suitable mechanisms for monitoring its performance against the prudential indicators that it has set? 		
<p>The Council approves an updated rolling 5-year Capital Strategy each year alongside the Medium-Term Financial Strategy and Treasury Management Policy & Strategy, with a recent update approved in February 2023. This allows key links between revenue and capital plans to be reported together for better decision-making.</p> <p>The Capital Strategy contains an assurance statement from the S151 Officer (CFO) (Section 12) stating that it is in compliance with the Prudential Code and that it is prudential, sustainable and affordable.</p> <p>An update on changes to the Treasury and Prudential Codes was reported to Budget Council in paragraph 5.5 of the Treasury Management Policy and Strategy.</p>	Substantial	<p>While compliance with Standard H is high, as noted earlier, the council will aim for greater integration of Capital, Revenue and invest-to-save service and financial planning aligned to the development of the annual budget, MTFs and Corporate Plan.</p>

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<p>The Prudential Indicators are contained within Annex C to the Treasury management Policy & Strategy.</p> <p>Performance against the prudential indicators is reported in the Council’s Treasury Management Strategy Mid-Year Review (1st December 2022) and Outturn Review (7th July 2022) to Policy & Resources Committee. The council is also provided with Treasury Management services by the Orbis Partnership which services 7 local authorities and produces regular updates to CFO’s, including regular Treasury Management bulletins.</p>		
<p>I: The authority has a rolling multi-year Medium-Term Financial Plan consistent with sustainable service plans.</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Does the authority have in place an agreed Medium-Term Financial Plan? 2. Is the Medium-Term Financial Plan consistent with and integrated into relevant service plans and its capital strategy? 3. Has the Medium-Term Financial Plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand? 4. Has the Medium-Term Financial Plan been tested for resilience against realistic potential variations in key drivers of cost and demand? 5. Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment, including infrastructure assets, contribute effectively to the delivery of services and to the achievement of the authority’s strategic aims? 		
<p>The rolling MTFS is a key part of the Council’s policy and budget framework and financial planning process. It is developed alongside the Capital Strategy and simultaneously approved by Council. It is regularly updated (at least three times per year) to inform the current and future years’ budget setting processes.</p> <p>As noted under Standard G above, the MTFS includes prudential assumptions and estimates of inflationary impacts and pay awards, anticipated demographic pressures, commitments including the impact of capital financing decisions, estimated tax base changes and taxation increases, income growth and government grant funding (based on Spending Reviews and LG Financial Settlements). These are also scenario-tested for worst to best case scenarios.</p> <p>As noted under Standard G above, while there is some alignment with the Corporate Plan this needs to be strengthened through an increased focus on medium-term planning. The council’s annual budget also includes ‘Budget Strategies’ for each of the 5 Service Directorates. These are valuable statements which indicate the direction of travel and approach to investment and savings across the functions provided by each directorate. While these strategies are forward-looking and are aligned to the Corporate Plan where possible, there could be much greater alignment to the MTFS financial assumptions and estimates, particularly beyond the first year of the MTFS.</p>	<p>Partial</p>	<p>Actions are as for Standard E above.</p> <p>In addition, the Asset Management plan requires a refresh to reflect the changing legislative environment within which the council operates, including the government’s revised approach to commercial assets and activities. Analysis and assessment of the Asset Management Plan will be undertaken to ensure it remains fit for purpose and supports medium term service and financial planning.</p>

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<p>The MTFS is scenario-tested but this creates its own challenges. The Authority is under severe financial pressure and has been in this situation for some years. It has the lowest Council Tax in East Sussex, some of the highest levels of deprivation in the region, but for many years received one of the lowest financial settlements in the country. It has regularly experienced annual budget gaps, i.e. savings requirements, of £10m to £20m in order to balance its budget. While scenario-testing is therefore useful, it generally only serves to show that the Authority would quickly reach the limits of financial sustainability if the worst-case scenarios played out in reality. Similarly, to plan for a worst-case scenario would require untenable and undeliverable levels of savings. However, this information is useful in informing members and officers of the potentially precarious position and the need to plan on a longer-term basis, aiming for some over-programming of savings and contributions to reserves if possible.</p> <p>The Finance team engages with directorates to integrate service demand and demographic changes with finance reporting, using the best and latest data available on cost drivers ('service pressures') and identifying any risks, opportunities and budget gaps.</p> <p>The annual budget process is generally aligned with Service Planning, with wide collaboration and consultation across the Council, partners (particularly the NHS) and with members in developing the budget. The Administration and lead portfolio members are closely involved in developing and setting the budget and considering options, including potential savings proposals. However, the short term nature of financial planning in recent years, primarily due to short term government funding announcements, has undermined longer term planning in many, but not all, areas.</p> <p>The Authority has an Asset Management Plan in place and this was previously supported by an Asset Management Board (AMB) including 3 members. The plan ensures that appropriate operational buildings are available to services and also considers disposal strategies, commercial property strategy and administrative building requirements in the light of increased remote working. There is a strong focus in the AMB on Housing assets including house-building, acquisition and other developments (e.g. Housing Joint Venture).</p>		
Section 4. The Annual Budget		
J: The authority complies with its statutory obligations in respect of the budget setting process.		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Is the authority aware of its statutory obligations in respect of the budget-setting process? 2. Has the authority set a balanced budget for the current year? 		

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<p>3. Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so?</p>		
<p>The authority has an established process for setting a balanced budget in line with statutory obligations (Local Government Acts 2000, 2003 and Local Government Finance Act 1992) and constitutional requirements. The process for developing and setting the budget is clearly set out in the Budget and Policy framework procedure rules (Part 7.2 of the Constitution). This requires that the procedure for the annual budget setting process is set out and agreed by committee in advance each year. This is normally provided to the July committee meeting.</p> <p>The Authority is aware of the requirements to set a balanced budget, to seek a statement from the CFO on the robustness of estimates and adequacy of reserves and provisions (S25 LG Act 2003 assurance), and to consult with stakeholders as required.</p> <p>The Authority has set a balanced budget every year since its creation in 1997, including for the current year, 2023/24.</p> <p>The CFO is fully aware of the circumstances under which to issue a Section 114 notice, which would require consultation with the CEO, Monitoring Officer and government (DLUHC) in the first instance, and has provided (and reported) detailed guidance to members as part of the approval of the annual budget including the implications and consequences of not setting the Council Tax by the statutory deadline and/or failing to set a balanced budget.</p>	<p>Substantial</p>	<p>No specific improvements have been identified, however, with regard to setting the budget and Council Tax, the council will continue to keep its legal and financial advice to members and officers under review in the light of findings from reviews where local authority compliance or financial failures occur.</p>
<p>K: The budget report includes a statement by the CFO on the robustness of the estimates and the statement on the adequacy of the proposed financial reserves.</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Does the authority's most recent budget report include a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves? 2. Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future? 3. Does the report set out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is to take to address any shortfall? 4. Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case? 		
<p>The General Fund Budget is agreed by Full Council and includes a statement by the CFO (Section 13 of the budget report) on the robustness of the estimates and the adequacy of reserves and provisions (Section 25 LG 2003 Act report).</p>	<p>Substantial</p>	<p>A key set of estimates in the budget process concerns determining the value of savings proposals. The External Auditor's concerns, set out</p>

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<p>Appendix 4 of the Budget Report provides details of all reserves together with a statement on their adequacy. While the Authority has adequate reserves to meet known and planned commitments and has an adequate unallocated reserve (Working Balance) to mitigate against short-term risks, its overall level of reserves is known to be comparatively lower than many authorities and this needs to be kept under review and if possible improved over the medium term.</p> <p>The Budget and MTFS is developed by Finance working closely with Directorate Management Teams and the Executive Leadership Team to generate and review estimates and includes:</p> <ul style="list-style-type: none"> • Estimates of key budget pressures including changes in service demand and demographic changes. • Estimates for staff pay awards and price inflation. • Estimates for tax bases, taxation increases, and government grant funding where not confirmed. • Estimates for proposed savings options, including income generation (changes to fees, charges and rents). <p>At the start of the annual process these estimates and assumptions are scenario-tested for best, mid-point and worst case outcomes for demand pressures, cost pressures (inflation), taxation outcomes and government grant funding. The General Fund budget report to Full Council in February also includes a detailed risk assessment (Appendix 5) of both short-term (i.e. current planning year) and medium-term risks and scores these in accordance with the council's risk management framework. This also indicates the scale of impact (for example, a 1% variation) and provides control measures and mitigations to address the identified risks should they materialise.</p>		<p>in their annual report, regarding the council's recent record of achieving planned savings are noted. Future budget planning rounds will identify sensitivity regarding potential under-achievement of savings to provide members with clear information about potential risks of deliverability.</p>
Section 5. Stakeholder Engagement and Business Cases		
L: The authority has engaged as appropriate with key stakeholders in developing its long-term financial strategy, Medium-Term Financial Plan and annual budget.		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan, and its annual budget? 2. How effective has this engagement been? 3. What action does the authority plan to take to improve its engagement with key stakeholders? 		
<p>The Authority has a number of partnerships in place through which partners can share their financial plans and outlook to help inform MTFS planning. Engagement with key partnerships and stakeholders includes:</p> <ul style="list-style-type: none"> • Engagement with the Administration and cross-party members in development of the Corporate Plan. Similarly, considerable engagement with the Administration in developing options for the annual budget as well as support to opposition groups to develop alternative budget proposals. 	Substantial	<p>The authority will look to improve partnership working and stakeholder engagement through:</p> <ul style="list-style-type: none"> • Revitalising and strengthening the

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<ul style="list-style-type: none"> • A close relationship with NHS Sussex Health & Care Integrated Care System where considerable financial interdependency exists (e.g. Winter and Discharge Planning) including through joint agreements (e.g. Better Care, S31 Partnership, S117, etc). • The City Management Board which includes the NHS, Police, Fire, Universities, DWP and others where financial strategies and information are shared periodically, particularly in the lead up to annual budget setting. • The South-East 7 group of local authorities provides insight and information and opportunities for information sharing and joint lobbying. • The Greater Brighton Economic Board and the Economic Partnership provide information and insight from the local and regional business sector which can help to inform elements of budget and MTFS including regeneration investment and support. • Engagement with Community & Voluntary Sector including through Community Works. • Wider engagement with residents and service users through appropriate consultation mechanisms and portals, on Service Plans and Strategies and/or specific service change proposals that inform current and future budget rounds. • Consultation with staff and unions as proposals emerge. <p>Engagement is therefore widespread and is reasonably effective in terms of enabling information sharing and opportunities for stakeholders to raise issues or concerns and therefore influence policy and proposals. However, this inevitably works within the constraints that both the Authority and its partners and stakeholders are working within. However, there are plans in place to strengthen partnership working and engagement, particularly the Local Strategic Partnership, which is currently in the process of being rejuvenated through a programme of work led by the council’s Policy Team, and there are opportunities to improve consultation and engagement with residents, for example, through on-line or social media engagement for the development of budget proposals, which are being explored by the Policy & Communications service.</p>		<ul style="list-style-type: none"> • Local Strategic Partnership; • Development of a new Corporate Plan 2023 – 2027; • Developing its over-arching consultation and engagement strategy led by the Policy Team; • Continuing to develop links with the NHS through the Sussex Health and Care Integrated Care Board as the local ICS develops.
<p>M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal? 2. Does the authority offer guidance to officers as to when an option appraisal should be undertaken? 3. Does the authority’s approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options? 4. Does the authority’s approach to option appraisal include suitable mechanisms to address risk and uncertainty? 5. Does the authority report the results of option appraisals in a clear, robust, and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s)? 		

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>The Authority has an established Business Case and Option Appraisal template and process for securing funds from its Modernisation Fund or for invest-to-save proposals. However, a gap has been identified in terms of assessing capital programme investments in terms of their alignment with corporate priorities, affordability and value for money. This is addressed under identified improvement actions.</p> <p>Business cases identify the aims and objectives of the investment, the alignment with the Corporate Plan and relevant service strategies, the financial, legal and sustainability implications, and set out the capital and revenue implications, including cashable and non-cashable benefits.</p> <p>Business Cases are considered by the Corporate Modernisation Delivery Board (CMDDB) chaired by the CEO and attended by the Executive Leadership Team and officers presenting business cases.</p> <p>Detailed guidance is provided on the council’s intranet (the Wave) including OBC and FBC templates and a Business Case checklist and timetable. This provides clear guidance on when a Business Case should be drawn up. The Authority’s Finance function also operates a Strategic Business Partner model which ensures that Finance Business Partners support and attend Directorate Management Teams and other SMTs and can advise on business case requirements and development.</p> <p>Qualitative and quantitative assessment are catered for in the OBC and FBC templates in terms of cashable and non-cashable benefits and risks.</p> <p>However, although the council has agreed documents and procedures, the understanding of the need to complete a business case and the associated approvals required is inconsistent. Similarly, business cases can come at any time during the financial year and may not always have been indicated clearly or transparently within service Budget Strategies or Directorate Business Plans. This means that business cases are assessed in isolation as and when presented instead of being assessed and contrasted with other competing requirements at the same time. This does not always result in effective prioritisation of resource allocation and does not support a medium term planning approach.</p> <p>Similarly, the External Auditor’s annual report ‘found evidence of the council continuously setting high capital programmes at budget setting and failing to deliver against these targets come year-end. This casts doubt over the council’s ability to accurately forecast expenditure and present and deliver a realistic capital programme.’</p>	<p>Partial</p>	<p>The council will adopt a standard and clear decision process for all business cases irrespective of where they are ultimately approved or how they are intended to be financed. Specifically, an improved ‘gateway’ process for assessing capital investments will be developed together with appropriate officer governance (e.g. A Capital Programme Board) to ensure effective review and evaluation of schemes and proposals before agreeing to seek member approvals. The process needs to reflect the differing levels of detail required depending on risk, value and complexity.</p> <p>This will also enable an effective response to the External Auditor’s Annual Report recommendation and ensure that the council sets a more realistic and deliverable capital budget going forward.</p>
<p>Section 6. Monitoring Financial Performance</p>		

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>N: The Leadership Team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p>		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Does the authority provide the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability? 2. Do the reports cover both forward and backward-looking information in respect of financial and operational performance? 3. Are there mechanisms in place to report the performance of the authority’s significant delivery partnerships such as contract monitoring data? 4. Are the reports provided to the leadership team in a timely manner and in a suitable format? 5. Is the Leadership Team happy with the reports that it receives and with its ability to use these reports to take appropriate action? 		
<p>The council has developed a Targeted Budget Management (‘TBM’) reporting framework which covers revenue and capital performance across all funds (GF, DSG, HRA), as well as other metrics such as income collection performance, monitoring of savings programmes, and compliance with Purchase Order (commitment accounting) requirements. TBM ensures that all capital and revenue cost centres are allocated to a named Budget Holder and named Finance Officer. Budget Holders are able to input forecasts (based on outturn forecasts) to the budget monitoring system (on SharePoint) and required to update forecasts either monthly or quarterly depending on the assessed scale/risk inherent in each budget. TBM is reported monthly to Directorate Management Teams, the Executive Leadership Team, the key Members, and a minimum of 5 times per year to the appropriate committee.</p> <p>The TBM reports provided to ELT allow consideration of any necessary actions and mitigations. For example, in 2022/23 a substantial overspend forecast earlier in the year led to the introduction of expenditure and recruitment controls alongside other corrective action to address the overspend. Directorate Financial Recovery Plans are also developed in response to overspend forecasts and are included in the reports.</p> <p>The forecast outturn position at Month 9 (December) is also incorporated into the budget setting report to ensure that one-off resources (i.e. underspends or overspends) are considered when setting the following year’s budget.</p> <p>ELT are provided with regular updates of the Council’s financial position and of the ongoing funding pressures it faces as part of the budget setting process and monthly TBM reporting.</p> <p>The council has a risk management framework in place. The Risk register incorporates financial sustainability as a key Strategic Risk (SR02) and this includes regular updates of the control measures and mitigations put in place to manage the risk. Strategic Risks and their treatment are reviewed quarterly by ELT and regularly by Members (Audit & Standards Committee).</p>	<p>Substantial</p>	<p>Development of improved TBM reporting on the delivery and performance of capital investment programmes, particularly the development of more realistic expenditure profiles which also directly impact on treasury management forecasts.</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<p>The TBM and budget setting reports contain both forward and backward looking data and insights regarding significant forecast variances. The TBM framework also ensures that budgets that are of corporate financial significance, mainly demand-led budgets such as adult and children’s social care placements, are given additional attention to indicate current trends, risks and issues including medium term implications.</p> <p>The TBM reporting framework covers all funds (GF, DSG and HRA) and also reports on partnerships including S31 NHS Partnerships, the Orbis Partnership (for Support Service Functions) and any forecast risks related to other partnerships e.g. the council’s Housing Joint Venture.</p> <p>Contract Management is recognised as an important function in the Authority and, in this respect, training has recently been provided to over 200 contract managers. There is also significant guidance available, including toolkits, on the council’s intranet to assist contract managers in overseeing the management and performance of contracts. This has also been the subject of recent Internal Audit reviews which have helped to identify further improvements. Financial performance in relation to contracts is reported through the TBM reporting framework.</p> <p>Procurement and contract management reporting, including waivers of Contract Standing Orders, are reported to DMT, ELT, and Members (Committee). ELT receive quarterly updates from the Head of Procurement regarding progress against the Procurement Forward Plan which identifies all procurements expected to come up during the year. This also reports on compliance with Contract Standing Orders and any issues with current procurements and contracts including financial or litigation risks.</p> <p>All reports to ELT and Members are provided in the standard council report writing format and in a timely manner. TBM reports to DMT are normally presented within 2 to 3 weeks of month end and to ELT within 3 to 4 weeks of month end.</p> <p>The Leadership are familiar with the TBM reporting framework and are regularly invited to provide feedback to continuously improve reporting. The report format currently meets their needs in respect of revenue reporting, however, potential improvements to reporting of capital programme performance are currently being considered given the high levels of reprofiling, slippage and variance of schemes. As noted under Standard M an improved gateway process for evaluating capital programme investments will be developed and this should be accompanied by a review of the performance reporting approach within the TBM reporting framework. ELT will work with the CFO and Finance officers to consider potential information requirements to enable an improved focus and understanding of capital spending and delivery.</p>		

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
O: The Leadership Team monitors the elements of its Balance Sheet that pose a significant risk to its financial sustainability.		
Tests of Compliance:		
<ol style="list-style-type: none"> 1. Has the authority identified the elements of its Balance Sheet that are most critical to its financial sustainability? 2. Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its Balance Sheet? 3. Is the authority taking action to mitigate any risks identified? 4. Does the authority report unplanned use of its reserves to the Leadership Team in a timely manner? 5. Is the monitoring of Balance Sheet risks integrated into the authority's management accounts reporting processes? 		
<p>Reserves are reviewed twice-yearly and are approved as part of the annual budget. Allocation of reserves is by a nominated budget manager. New reserves require approval of Committee, ensuring that there is oversight of the purpose, funding and rationale for any reserve.</p> <p>All balance sheet items (codes) are reviewed by finance teams across months 9, 10, 11, 12 and 13 (i.e. post year-end) with month 13 being reviewed and signed off by a Head of Finance.</p> <p>The closure of accounts process and production of the Statement of Accounts identifies key balance sheet items for review, reconciliation (e.g. debtor, payroll control accounts) or analysis. The outcome of this process is reported to the CFO for review and sign off.</p> <p>Unplanned use of reserves is not allowable.</p> <p>The council's TBM budget monitoring framework includes a section for reporting on changes to reserves or other items that may have an impact on the in-year or medium-term financial position.</p> <p>The council's risk management process includes the identification of financial risks and incorporates their escalation to the Executive Leadership Team as well as Audit & Standards Committee and the Governance Assurance Meeting (Statutory Officers). Key balance sheet risks can therefore be surfaced through these routes alongside mitigating actions.</p>	Partial	<p>Balance sheet issues that are critical to the council's financial sustainability will be highlighted at least quarterly as part of the risk management process to the Directorate Management Teams and, where of corporate significance, to the Executive Leadership Team and Governance Assurance Meeting.</p>
Section 7. External Financial Reporting		
P: The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom.		
Tests of Compliance:		
<ol style="list-style-type: none"> 1. Are the authority's Leadership Team and CFO aware of the CFO's responsibilities in terms of the preparation of the annual financial statements? 		

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<ol style="list-style-type: none"> 2. Are these responsibilities included in the CFO’s role description, personal objectives and other relevant performance management mechanisms? 3. Have the authority’s financial statements hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom? 		
<p>The delegations to the CFO are set out in the Scheme of Delegation to Officers (Part 6 of the Constitution) and the responsibilities of the CFO are set out in Financial Regulations and Standard Financial Procedures (Parts 7.3 and 7.4 of the constitution).</p> <p>The Authority’s members and Executive Leadership Team are fully aware of the CFO’s responsibilities including responsibility for completion and certification of the Statement of Accounts.</p> <p>The responsibilities of the CFO are also set out in the job description for the role and affirmed by the External Auditor in the Statement of Accounts.</p> <p>The Statement of Accounts are prepared in compliance with the Code and International Financial Reporting Standards (IFRS), and are approved by the CFO prior to submission to the External Auditor and the Audit & Standards Committee. The Council received an unqualified audit opinion for 2021/22. The latest audit report acknowledges the accounts have been prepared in accordance with the Code of Practice. The Council has consistently received an unqualified opinion from the external auditor on its Statement of Accounts and in its value for money opinion. The CFO is the Head of Profession and ensures adequate resources within Finance, including suitably trained and qualified accountants.</p>	Substantial	<p>No specific improvements identified, however, the resources available to complete timely, accurate and compliant financial statements is increasingly challenged and needs to be kept under review.</p>
Q: The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions.		
<p>Tests of Compliance:</p> <ol style="list-style-type: none"> 1. Is the authority’s Leadership Team provided with a suitable suite of reports on the authority’s financial outturn and on significant variations from budget? 2. Is the information in these reports presented effectively? 3. Are these reports focused on information that is of interest and relevance to the Leadership Team? 4. Does the Leadership Team feel that the reports support it in making strategic financial decisions? 		
<p>A provisional outturn (TBM) report is provided to ELT and Committee in June/July each year setting out the financial position of the Authority at the end of the financial year including:</p> <ul style="list-style-type: none"> • Capital and revenue performance and commentary in relation to significant variances. • Capital variations or reprofiling requirements. • Requests for any carry forward of revenue funding for approval. • Collection Fund performance. 	Substantial	<p>As noted above, while significant attention is given to revenue outturn, the Provisional Outturn TBM report will give more attention to capital outturn, enabling a review of deliverability and timelines (profiling).</p>

CIPFA FM Code Review – Appendix 2 Detailed Self-Assessment

BHCC CIPFA Financial Management Code Self-Assessment	Assessed Compliance	Identified Improvement Actions
<ul style="list-style-type: none"> • Capital Receipts performance. • Progress against savings plans. • Implications for reserves/Working Balance and the MTFS. • Proposed allocation/s of any available resources (underspending). • Proposed treatment or management of any overspend. <p>The information enables informed decisions to be made about approving the carry forward of specific capital and revenue resources to support the delivery of the Council’s priorities in the following financial year. The information is in the standard financial reporting format (TBM) that members receive throughout the financial year which clearly sets out the structure and purpose of each section of the report.</p> <p>The report can be viewed in the context of regular strategic financial reporting, in that it is consistent with:</p> <ul style="list-style-type: none"> • The annual budget setting report. • Preceding budget monitoring reports presented to ELT and Committee throughout the year. • Enabling reconciliation with previously reported results and linking through to the Statement of Accounts. • Enabling significant variations that emerge during monitoring and at outturn to be investigated further and informing updates to the in-year budget position, MTFS and forward planning and the implications on financial sustainability. <p>TBM reports include a section on the ‘Implications for the MTFS’ which highlights to ELT any strategic or financial sustainability issues or risks arising from revenue, capital and collection fund outturn. This enables ELT to consider the treatment of under or overspending in the context of the next financial year, and the MTFS, based on advice from the CFO. ELT also have oversight of proposed carry forwards, enabling peer review and moderation of proposals to ensure they are consistent with the principle of meeting priorities.</p> <p>ELT and members are regularly invited to suggest improvements to the TBM reporting framework including the use of visualisation (e.g. infographics) to assist the reader as well as ensuring reports work on an ‘exception reporting’ basis while providing sufficient contextual information to provide an insight to key risks and issues for both the current and future financial years. In this respect, and as noted under other standards above, improvements to capital programme performance reporting will be considered in response to ELT and External Auditor comments and suggestions.</p>		

Brighton & Hove City Council

Audit & Standards Committee

Agenda Item 12

Subject: Standards Update

Date of meeting: 27th June 2023

Report of: Executive Director, Governance, People & Resources and Monitoring Officer

Contact Officer: Victoria Simpson, Senior Lawyer – Corporate Law
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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1. To provide an update on Standards-related matters, including data on complaints alleging that Members have breached the Council's Code of Conduct for Members.

2. Recommendations

2.1. That the Audit & Standards Committee note the contents of this report.

3. Context and background information

3.1. The Council is required by the Localism Act 2011 to have in place arrangements for dealing with complaints against elected and co-opted Members. Brighton & Hove City Council regularly reviews the arrangements it has in place, including its Code of Conduct for Members and related Procedure and guidance. It is transparent about those arrangements, which it publishes on [its website](#). It also makes data regarding the complaints received in about member conduct publicly available via the reports to this Committee.

3.2. At Brighton & Hove City Council, the Audit & Standards Committee has delegated authority for leading in discharging the statutory requirement that the Council maintain and promote high standards of conduct by Members. This Committee receives quarterly reports on complaints against members as well as information on the training and briefings offered to assist Members in discharging their responsibilities according to the expectations of the Nolan Principles.

3.3. This quarterly Report provides data on the complaints both still outstanding at the time of the last Report, and those which have been received in since then. In this way, the Report seeks to provide reassurance that recent

complaints are being considered and dealt with pursuant to the Council's processes.

4. Update on Current Complaints

Complaints previously reported to this Committee

4.1. This data is provided in the attached Appendix 1, at table 1.

Complaints received in since the last Update

4.2. This data is provided in table 2 of Appendix 1.

4.3. All of the complaints referred to in this section are being progressed under the direction of the Monitoring Officer in accordance with the Procedure which governs member complaints.

5. Member Training

5.1. To assist Committee in discharging its role in promoting and maintaining high standards of conduct by councillors, member training sessions on standards-related matters is offered in addition to the member development training run by other areas in the Council.

5.2. Since the local elections in May, there has been a focus on providing all members – including but not only those who are newly elected - with the range of tools they need to carry out their roles effectively. In this context, the following has either already been offered or is in train:

- Training on Decision-making and Governance for all members, which (amongst other things) flagged up the role of compliance with the Code of Conduct and other key expectations in generating and maintaining trust.
- Sessions focused on the Council's standards arrangements, and on how members may discharge their duties in accordance with the Code. (NB this training is a requirement for all members).

5.3. In addition, the following training will be offered to members of this Committee by the end of September 2023:

- Standards Panel training: training which is a pre-requisite for any member appointed to a Standards Panel.

5.4. Members have also been signposted to resources available from the Local Government Association, as well as the recordings of the following past session which may be of potential relevance, and which remain accessible to all members via the Council's learning platform:

- Social media and the Code of Conduct: training delivered by an external trainer in 2021 and 2022 on the use of social media which highlights the

challenges and opportunities for those members who choose to use social media in their roles as councillors.

6. Analysis and consideration of alternative options

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

7. Community engagement and consultation

- 7.1. Past reviews of the Council's Standards arrangements (most recently in 2021) have been carried out by a working group comprised of its elected Members and the Council's Independent Persons, supported by officers who have provided stakeholder data as well as signposting relevant LGA resources. While the local community has not previously been consulted or provided input, this could be an option for future reviews.

8. Conclusion

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

9. Financial implications

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

Name of finance officer consulted: Nigel Manvell Date consulted 05/06/23

10. Legal implications

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

Name of lawyer consulted: Victoria Simpson Date consulted 30/05/23

11. Equalities implications

- 11.1. There are no equalities implications arising from this Report, which provides reassurance on the arrangements which have been developed with the need to ensure that the Council and its members discharge their responsibilities with (amongst other things) appropriate regard for equalities considerations in mind.

12. Sustainability implications

12.1. No sustainability implications have been identified.

13. Other Implications

13.1. No significant other implications have been identified as arising from this Report.

Supporting Documentation

Appendices

1. Appendix 1 – data on member complaints

Appendix 1: Complaint data

Table 1: Complaints previously reported to this Committee (at its [April 2023 meeting](#))

Case No	Date	Status of complaint	If concluded, basis on which decision was taken	Complaint Topic <i>*note see end of table 2 for key</i>	Additional notes
A/2022	January 2022	Not yet determined	N/A	D	Referral of complaint for formal investigation resulted in an indicative finding by the investigator that one or more breaches had taken place. A decision was made by the Monitoring Officer in December 2022 to refer this complaint and the next two complaints in this table (ie E/2022 and J/2022) to a specially convened Standards Panel for determination. However a date before the pre election period (prior to the local elections in May) could not be found. As the member who is the subject of the complaints has now ceased to be an elected member for BHCC, the Council's independent person is being consulted regarding next steps.
E/2022	February 2022		N/A	D	As A/2022
J/2022	February 2022		N/A	D	As A/2022
A/2023	Jan - Feb 2023	Ongoing	Part of complaint remains at preliminary assessment stage awaiting info from another	A	Complainant alleged that member had acted in a way toward them which exhibited prejudice and bias.

			agency. The other aspects of the complaint against that member have now been determined by a decision to take no further action.		
C/2023	Jan 2023	Decision taken to refer complaint for formal investigation.	External investigator has been appointed and is in the process of carrying out a detailed investigation, which will be reported to the Monitoring Officer and will be the subject of a further report to this Committee in due course.	A	Complainant alleged that member had engaged in conduct contrary to the Code which failed to meet appropriate standards of respect and courtesy.
H/2023	March 2023	Determined by decision to take no action at preliminary assessment stage.	Complaint ultimately determined by decision that it would not be in the public interest to refer this complaint for formal investigation.	A	Complainant alleges rudeness and a lack of courtesy in relation to a matter which should have been referred to Council officers.
I/2023	March 2023	Determined by decision to take no action at preliminary assessment stage.	Insufficient evidence of conduct contrary to the Code identified to merit referral of complaint for formal investigation.	A	Complaint alleges that the member's communications via social media were misleading and did not accurately represent the Council's decisions.

Table 2: Complaints received in since April 2023

Case No	Date	Status of complaint	If concluded, basis on which decision was taken	Complaint Topic <i>* note see end of table 2 for updated key</i>	Additional notes
J2023	May 2023	Remains at preliminary assessment stage.	N/A	A	Complainant alleges that the member has been unresponsive to the complainant's emails and questions about the Council's services in the local area. The subject member robustly denies breaching the Code, and this complaint has been despatched to the Independent Person so that the Monitoring Officer may consult with them re next steps.
K2023	May 2023	Remains at preliminary assessment stage.	N/A	A	Complaint against a current elected member alleges that social media posts made in the course of their campaign for re-election breached the expectations of the Code, amongst other things in the way in which the complainant was referred to. This complaint has been despatched to the Independent Person so that the Monitoring Officer may consult with them re next steps.

Key to Complaint topics

Code	Description of type of conduct complained about
A	<i>Complaints about members' conduct in their wards, including when discharging their ward responsibilities or otherwise communicating with constituents or other stakeholders.</i>
B	<i>Complaints about comments or conduct either at council meetings, or at meetings at which members are representing BHCC</i>
C	<i>Complaints about conduct relating to council business or other members made outside council meetings, including on social media</i>
D	<i>Complaints about a member's conduct or position on an issue which is not council business or a ward matter, including conduct or a statement reported in the press or made on social media</i>