





Brighton & Hove
City Council

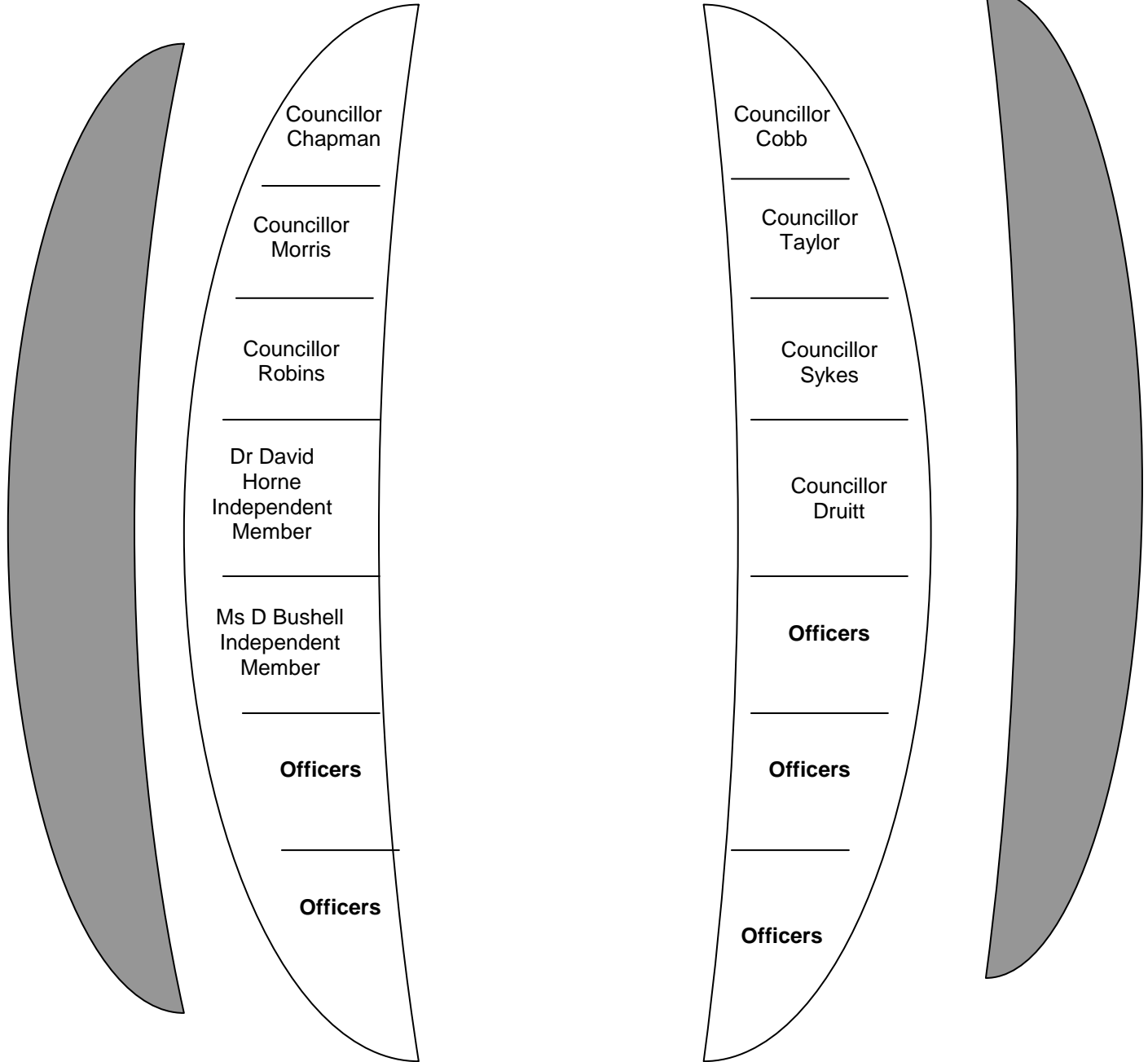
Audit & Standards Committee

Title:	Audit & Standards Committee
Date:	8 March 2016
Time:	4.00pm
Venue	The Ronuk Hall, Portslade Town Hall
Members:	Councillors: A Norman (Chair), Chapman, Cobb, Druitt, Morris, Robins (Group Spokesperson), Sykes (Group Spokesperson) and Taylor Co-opted Members: Diane Bushell and Dr David Horne
Contact:	John Peel Democratic Services Officer 01273 291058 john.peel@brighton-hove.gov.uk

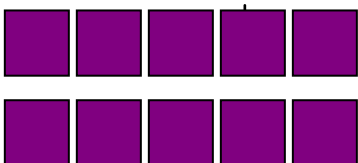
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Democratic Services: Audit & Standards Committee

Head of Legal & Democratic Services	Acting Director Finance & Resources	Councillor A Norman (Chair)	Democratic Services Officer
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Public Seating



Press



AGENDA

72 PROCEDURAL BUSINESS

(a) Declaration of Substitutes: Where Councillors are unable to attend a meeting, a substitute Member from the same Political Group may attend, speak and vote in their place for that meeting.

(b) Declarations of Interest:

- (a) Disclosable pecuniary interests;
- (b) Any other interests required to be registered under the local code;
- (c) Any other general interest as a result of which a decision on the matter might reasonably be regarded as affecting you or a partner more than a majority of other people or businesses in the ward/s affected by the decision.

In each case, you need to declare

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

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

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

NOTE: *Any item appearing in Part Two of the Agenda states in its heading the category under which the information disclosed in the report is exempt from disclosure and therefore not available to the public.*

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

73 MINUTES

1 - 10

To consider the minutes of the meeting held on 12 January 2016 (copy attached).

74 CHAIR'S COMMUNICATIONS

AUDIT & STANDARDS COMMITTEE

75 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 1 March 2016;
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 1 March 2016.

76 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.

77 STRATEGIC RISK FOCUS: SR15 KEEPING CHILDREN SAFE FROM HARM AND ABUSE; AND SR17 SCHOOL PLACES PLANNING 11 - 20

Report of the Acting Director, Finance & Resources (copy attached).

Contact Officer: Jackie Algar Tel: 01273 291273
Ward Affected: All Wards

78 TARGETED BUDGET MANAGEMENT (TBM) 2015/16 MONTH 9 21 - 38

Extract from the proceedings of the Policy & Resources Committee meeting held on 11 February 2016 (copy to follow); together with a report of the Acting Director of Finance & Resources (copy attached).

Ward Affected: All Wards

79 RISK MANAGEMENT STRATEGY ANNUAL PROGRESS REPORT 2015 39 - 52

Report of the Acting Director, Finance & Resources (copy attached).

Contact Officer: Jackie Algar Tel: 01273 291273
Ward Affected: All Wards

80 ERNST & YOUNG: 2015/16 AUDIT PLAN 53 - 86

Report of Ernst & Young (copy attached).

AUDIT & STANDARDS COMMITTEE

- 81 AUDIT AND CORPORATE FRAUD - INTERNAL AUDIT STRATEGY AND PLAN 2016/17** **87 - 104**
- Report of the Acting Director, Finance & Resources (copy attached).
Contact Officer: Graham Liddell Tel: 01273 291323
Ward Affected: All Wards
- 82 DUE DILIGENCE FOR INTERNAL AUDIT AND CORPORATE FRAUD JOINING ORBIS** **105 - 114**
- Report of the Acting Director, Finance & Resources (copy attached).
Contact Officer: Graham Liddell Tel: 01273 291323
Ward Affected: All Wards
- 83 INTERNAL AUDIT AND CORPORATE FRAUD PROGRESS REPORT** **115 - 120**
- Report of the Acting Director, Finance & Resources (copy attached).
Contact Officer: Graham Liddell Tel: 01273 291323
- 84 STANDARDS UPDATE** **121 - 126**
- Report of the Head of Law & Monitoring Officer (copy attached).
Contact Officer: Abraham Ghebre-Ghiorghis Tel: 01273 291500
Ward Affected: All Wards
- 85 SOCIAL MEDIA PROTOCOL FOR MEMBERS AND SOCIAL NETWORKING POLICY FOR EMPLOYEES** **127 - 150**
- Report of the Head of Law & Monitoring Officer (copy attached).
Contact Officer: Abraham Ghebre-Ghiorghis Tel: 01273 291500
Ward Affected: All Wards
- 86 GUIDANCE ON MEMBER CORRESPONDENCE** **151 - 158**
- Report of the Head of Law & Monitoring Officer (copy attached).
Contact Officer: Abraham Ghebre-Ghiorghis Tel: 01273 291500
Ward Affected: All Wards
- 87 ITEMS REFERRED FOR COUNCIL**
- To consider items to be submitted to the 24 March 2016 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*

AUDIT & STANDARDS COMMITTEE

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

88 ITEMS FOR THE NEXT MEETING

The City Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public. Provision is also made on the agendas for public questions to committees and details of how questions can be raised can be found on the website and/or on agendas for the meetings.

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

Agendas and minutes are published on the council's website www.brighton-hove.gov.uk. Agendas are available to view five working days prior to the meeting date.

Electronic agendas can also be accessed through our meetings app available through www.moderngov.co.uk

Meeting papers can be provided, on request, in large print, in Braille, on audio tape or on disc, or translated into any other language as requested.

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.

Date of Publication - Monday, 29 February 2016

BRIGHTON & HOVE CITY COUNCIL

AUDIT & STANDARDS COMMITTEE

4.00pm 12 JANUARY 2016

THE RONUK HALL, PORTSLADE TOWN HALL

MINUTES

Present: Councillors A Norman (Chair) Chapman, Cobb, Druitt, Morris, Robins (Group Spokesperson), Sykes (Group Spokesperson) and Taylor and Diane Bushell and Dr. David Horne

PART ONE

55 PROCEDURAL BUSINESS

55a Declarations of substitutes

55.1 There were none.

55b Declarations of interests

55.2 There were none

55c Exclusion of the press and public

55.3 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.

55.4 **RESOLVED** - That the press and public not be excluded.

56 MINUTES

56.1 **RESOLVED** – That the minutes of the previous meeting held on 17 November 2015 be approved and signed as the correct record.

57 CHAIR'S COMMUNICATIONS

57.1 The Chair welcomed Ian Young who was attending his first meeting of the Committee as representative from Ernst & Young.

58 CALL OVER

58.1 All items on the agenda were reserved for discussion.

59 PUBLIC INVOLVEMENT

59.1 No items from members of the public were received.

60 MEMBER INVOLVEMENT

60.1 No items from Members were received.

61 STRATEGIC RISK MAP FOCUS: SR10 INFORMATION GOVERNANCE MANAGEMENT; SR22 MODERNISING THE COUNCIL; AND SR24 WELFARE REFORM

- 61.1 The Committee considered a report of the Acting Director, Finance & Resources which informed Members that the Committee had a role to monitor the effectiveness of risk management and internal control. This included oversight of the Strategic Risk Register which was set and reviewed every six months by the Executive Leadership Team (ELT). Each Strategic Risk has a Risk Management Action Plan (a risk MAP) to deliver action to address the risk by a Risk Owner, a member of ELT. The meeting was attended by the Acting Executive Director, Finance & Resources and the Senior Information Risk Owner (SIRO) who are joint Risk Owners, with support from the Chief Technology Officer who was Risk Action Owner for SR10: Information Governance. The Chief Executive attended as Risk Owner for SR22: Modernising the Council, with support from the Head of Performance, Improvement & Programmes; and the Acting Executive Director, Finance & Resources who was the Risk Owner for SR24: Welfare Reform, with support from the Welfare Reform Programme Manager. Each provided verbal updates and answered Members' questions based on their Strategic Risk Report.
- 61.2 With regard to SR10: Information Governance, Councillor Sykes enquired as to the implications of shared service agreements such as Orbis upon Information Governance.
- 61.3 The Chief Technology Officer clarified that each authority would have sovereignty for its own Information Governance Strategy and that would be formalised in any arrangement. Each authority would also have a collective approach to risk and there would be opportunities in sharing best practice. In practice, this would likely lead to a balance between sovereignty and collectivism.
- 61.4 Councillor Sykes asked if a risk assessment could be undertaken on this particular issue.
- 61.5 The Chief Technology Officer agreed and this would be taken forward.
- 61.6 With regard to SR22: Modernising the Council, Councillor Druitt noted that the initial rating had been assigned on 3/11/2014 but had been revised the same day. Councillor Druitt asked if that was standard practice.

- 61.7 The Risk Management Lead confirmed that there was an initial rating assigned on the basis of inherent risk that was then assessed against existing controls giving a more realistic assessment. Subsequently, proposed solutions are added to further mitigate the identified risk.
- 61.8 Councillor Sykes stated that there was no mention in the risk narrative regarding ongoing budget reductions and possible consequences.
- 61.9 The Chief Executive clarified that this would be added to this strategic risk.
- 61.10 Diane Bushell noted that 3 actions had been assigned an end date of March 2015 yet none had achieved 100% progress. Diane enquired as to the underlying issues for this and whether Officers believed the actions could be achieved.
- 61.11 The Head of Performance Improvement & Programmes stated that the 3 actions were linked to 25 modernisation programmes. Some of those were progressing well and some were not advancing as quickly and there was now a new process of refinement in completing the tasks.
- 61.12 The Chief Executive stated that the new administration had established a Fairness Commission and ELT may need to review the Commission's findings against the Council's Corporate Plan. The Council had also started looking at new ways of working such as the Orbis shared service and there would be stronger focus on engagement with neighbourhoods and communities in the way the council worked going forward.
- 61.13 With regard to SR24: Welfare Reform, Councillor Druitt asked if there was an increase expected in demand for the council's own welfare advice services.
- 61.14 The Welfare Reform Programme Manager stated that demand across the community and voluntary sector had increased and was expected to continue to rise in the short to medium-term.
- 61.15 Councillor Druitt asked if any plans had been set out to deal with increase in demand.
- 61.16 The Welfare Reform Programme Manager stated that in managing this demand and given current financial challenges, officers had been focussing on spend to save initiatives as well as controlling costs wherever that was possible.
- 61.17 Councillor Sykes stated that the impact upon residents should be listed as a priority and if demand outweighed service provision, that should be highlighted on the Strategic Risk.
- 61.18 Diane Bushell noted that a Programme Board had been scheduled for December and asked if that had been held and what actions had arisen from that meeting if so.
- 61.19 The Welfare Reform Programme Manager clarified that due to personnel changes, the meeting had not gone ahead but a meeting had been held directly with the relevant risk owners.

- 61.20 Diane Bushell noted that the council's external auditors had noted some issues with regard to calculation of income and asked how that might be impacted by the introduction of Universal Credit.
- 61.21 The Welfare Reform Programme Manager clarified that responsibility for calculations under Universal Credit would no longer lie with the council but with the Department for Work & Pensions.
- 61.22 The Risk Management Lead clarified, in response to Member Comments about how these risks could impact on the Corporate Plan, that each Strategic Risk represented something which could prejudice achievement of the Council's objectives as set out in the Corporate Plan, therefore reference to the impact on the Corporate Plan objectives was not necessary.
- 61.23 **RESOLVED-**
- 1) That Members note the information provided in the Strategic Risk MAPs in Appendix 1 (Strategic Risk Assessment Report).

62 ERNST & YOUNG: ANNUAL CERTIFICATION REPORT 2014/15 AND PROGRESS REPORT 2015/16

- 62.1 The Committee considered a report of Ernst & Young that provided the 2014/15 Annual Certification report that related to the audit of the Council's 2014/15 grant claims and communicated the results of the auditor's certification work to Members. The report also included a progress update that provided the Committee with an overview of work on the 2014/15 audit and a schedule for the 2015/16 audit.
- 62.2 In relation to Housing benefits subsidy claims, Councillor Druitt asked how the Council ranked comparatively against other authorities in this area and for the auditors views on how improvements in the control environment of the housing benefit department could be achieved.
- 62.3 Paul King clarified that Brighton & Hove City Council were amongst the better performing council's in this area. In relation to improvements in the control environment, Paul King stated that this was a general recommendation and the Revenue & Benefits team were aware of how controls could be tightened and Ernst & Young would seek demonstration of improvement in their next audit.
- 62.4 The Acting Director, Finance & Resources cautioned that the administrative cost of reducing extrapolated errors needed to be considered as this could end up being higher than the current overpayments which represented less than 0.1% of the overall housing benefit scheme payments made.
- 62.5 Dr Horne noted that the committee were provided in-depth detail on internal audit actions but much less on external audit actions. Dr Horne believed that this was an area Members could refine and he felt it would be useful for the committee to receive a report on the matter to a future meeting.

- 62.6 Councillor Sykes asked if sufficient resources were available to undertake the recommendation from the external auditor relating to the control environment.
- 62.7 The Acting Director, Finance & Resources stated that the service was always seeking potential efficiencies and there may be scope to do so in this area through digital services. Furthermore, the council always sought to minimise risk and claim the full subsidy amount due.
- 62.8 **RESOLVED-** That Committee note the report.

63 TARGETED BUDGET MANAGEMENT (TBM) 2015/16 MONTH 7

- 63.1 The Committee considered a report of the Acting Director, Finance & Resources that provided the Targeted Budget Management 2015/16 Month 7 report and an extract from the proceedings of the Policy & Resources Committee meeting held on 3 December 2015 from which the report had been referred; together with a specific report to the Audit & Standards Committee from the Acting Director of Finance & Resources.
- 63.2 Diane Bushell sought assurance that the saving controls implemented would not have a knock-on effect that would lead to an unforeseen increase in costs elsewhere.
- 63.3 The Head of Corporate Finance and Resources stated that consideration was given when designing the saving controls to any knock on effects in expenditure that would cancel out the potential saving. Furthermore, were the controls were reviewed by Internal Audit subsequent to their implementation and monitored at senior manager level to ensure the savings were realised and there were no unintended consequences.
- 63.4 Councillor Sykes noted that paragraph 3.11 stated that savings plans for 2016/17 had been brought forward and asked if this had been carried out with democratic oversight.
- 63.5 The Head of Corporate Finance and Resources clarified that only a limited number of savings plans had been brought forward and that policy decisions were necessary, this had been sought through reports to Policy & Resources Committee as had occurred with recent decisions taken on 4 November 2015 at a Special Policy & Resources Committee in relation to proposed Adult Social Care service changes.
- 63.6 Councillor Taylor noted that there appeared to be a trend that the council would overspend in the early stages of the financial year with that overspend being reversed by year end and asked if that indicated that processes needed to be improved. Councillor Taylor also asked how the Value for Money (VFM) Programme was progressing as it had not met its target in the previous financial year.
- 63.7 The Head of Corporate Finance and Resources stated that the council's budget had a number of volatile demands on services that could lead to an unforeseen increase or decrease in costs and in some respects, identifying rather than suppressing overspends early in the financial year was positive as it allowed thorough scrutiny and review and appropriate action to be taken early. The Acting Director, Finance & Resources indicated that the graph on page 54 of the agenda highlighted the current savings monitoring programme which included VFM savings.

63.8 Councillor Druitt asked if the current spending controls programme was a matter of deferring the inevitable need to cut services.

63.9 The Head of Corporate Finance and Resources confirmed that a feature of the current spending controls was to encourage the redesign of services that may lead to the deletion or removal of currently vacant posts plus a number of one-off savings.

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

64 TREASURY MANAGEMENT POLICY STATEMENT 2015/16 (INCLUDING ANNUAL INVESTMENT STRATEGY 2015/16) – MID YEAR REVIEW

64.1 The Committee considered a report of the Acting Director, Finance & Resources that provided the Treasury Management Policy Statement 2015/16 (including Annual Investment Strategy 2015/16)- Mid-Year Review report and an extract from the proceedings of the Policy & Resources Committee meeting held on 3 December 2015 from which the report had been referred.

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

65 OVERPAYMENTS ON THE HOUSING REPAIRS AND IMPROVEMENT CONTRACT

65.1 The Committee considered a report of the Acting Director, Finance & Resources that summarised the results of the internal audit review of overpayments identified by the council in respect of housing repairs carried out by its contractor Mears Ltd.

65.2 Councillor Druitt stated he felt that the correct measures had been put into place subsequent to the discovery of overpayments but raised his concern that the structure of the contract meant that Mears Ltd were requesting, undertaking and inspecting work and each of those processes should be assigned to different groups.

65.3 The Head of Housing stated that the arrangement in managing and supervising work was set out in the contract between Mears Ltd and the council and delivered significant savings to the council and its tenants. The issue of overpayment had prompted a review to improve that system.

65.4 The Chief Executive, Mears Ltd stated that his organisation were supportive of an audit of repairs.

65.5 Councillor Robins stated that he felt the underlying issue was Mears Ltd use of subcontractors and that only 10% of completed work was inspected. Councillor Robins added that in most instances, it would be difficult to give a judgement on the quality of work at the stage of completion and there should be regular checks by a Clerk of Works as a repair was progressing. Councillor Robins asked if sub-contractors made a profit on the repairs they carried out and if this was in turn passed onto the council via Mears Ltd.

65.6 The Chief Executive, Mears Ltd stated that the average cost of a repair was a £100 and there were many minor jobs that would not require inspection such as fixing a light switch. In that context, it was not justifiable to have every job inspected. He added that it was not possible for Mears Ltd to employ specialists in every area of trade as in some

areas, there was insufficient demand to employ a full-time member of staff. In such cases a sub-contractor would be used on the basis of a fixed price quotation with the same charge invoiced to the council.

- 65.7 Councillor Morris asked if post-inspections were still carried out on 10% of works.
- 65.8 The Head of Housing Strategy clarified that the number of responsive repair inspections was still 10% and checks on major and planned work increased temporarily to 100%. The Chief Executive, Mears added that they had also increased inspection rates to 100% initially to ensure that overpayments were not a systemic problem.
- 65.9 Councillor Taylor asked why it had taken 17 months to discover the overpayments made.
- 65.10 The Chief Executive, Mears clarified that the underlying issue was the improper use of a fixed price code on a regular basis and investigation had found that this was not a systemic problem.
- 65.11 Councillor Robins asked for clarification on whether Mears Ltd intended to review work as it progressed.
- 65.12 The Chief Executive, Mears Ltd stated that live inspections were carried out on larger jobs. For smaller work, Mears Ltd asked its staff to take photos before, during and after repairs jobs. Furthermore, Mears Ltd had committed to providing funding for the council to employ a Quantity Surveyor for a three to six month period with discussion on a long-term solution to follow.
- 65.13 **RESOLVED-** That the Audit & Standards Committee:
- 1) Note that the council's housing revenue account was over-charged by an amount estimated by audit at more than £300,000 over a 17 month period for work carried out by a sub-contractor working on the housing repairs and improvements contract.
 - 2) Note that the council expects to recover the overpayments from the main contractor, Mears Ltd.
 - 3) Note that the council is working positively with Mears Ltd to identify any other overpayments that may have been made and to prevent any overpayments in the future.

66 INTERNAL AUDIT AND CORPORATE FRAUD PROGRESS REPORT

- 66.1 The Committee considered a report of the Acting Director, Finance & Resources that summarised the progress made against the Internal Audit and Corporate Fraud Plan 2015/16.
- 66.2 Councillor Sykes noted that the figures listed on page 83 and page 84 of the agenda appeared to be an increase on previous years.

66.3 The Head of Internal Audit confirmed that the figures were higher and this was because of a specific audit focus of the corporate fraud team on risk areas, particularly in unauthorised sub-letting of council properties.

66.4 **RESOLVED-**That the Audit and Standards Committee note:

- 1) Progress made on the audit plan for 2015/16
- 2) Progress made against recommendations
- 3) Continued success in tackling fraud and corruption

67 STANDARDS UPDATE

67.1 The Committee considered a report of the Head of Law that updated Members on Standards-related issues/activities since the previous update.

67.2 **RESOLVED-** That Members note the report

68 INFORMATION GOVERNANCE STRATEGY

68.1 The Committee considered a report of the Head of Law and Monitoring Officer that sought comment from the Committee on the draft Information Governance Strategy ahead of its submission to Policy & Resources Committee for consideration.

68.2 The Head of Law circulated a document outlining a number of spelling corrections to be made to the draft document.

68.3 Dr. Horne stated that he welcomed the Strategy that filled a current vacuum in the council's policy and procedures. Dr. Horne suggested that the document be amended ahead of its submission to Policy & Resources Committee to outline the cost of delivery of the Strategy, the pace of implementation and the risks involved in managing the Strategy in the long-term including any potential impact from Orbis shared service arrangements.

68.4 The Head of Law clarified that under the Orbis arrangements, each authority would be responsible for its own Information Governance Strategy. This would in turn present Information Governance issues that would be included in the due diligence process and regularly monitored.

68.5 **RESOLVED-**

- 1) That Members consider the attached draft Information Governance Strategy 2016-19 (appendix 1) and comment as necessary.
- 2) Note that any comments will be incorporated into a revised draft going to the Policy & Resources Committee for final approval.

69 ANNUAL SURVEILLANCE REPORT 2015

- 69.1 The Committee considered a report of the Acting Director, Finance & Resources that informed Members of the activities that had been undertaken utilising the powers under the Regulatory Investigatory Powers Act 2000 (RIPA) since the last update in December 2014, informed the Committee of the outcome of the recent audit of the Council's surveillance activity by the Office of the Surveillance Commissioners in June 2015 and introduced revised Policy and Guidance documents reflecting that audit.
- 69.2 Dr Horne noted that 'Gatekeepers' could also be 'Authorising Officers' and asked if these two duties should be separated to ensure impartiality.
- 69.3 The Trading Standards Manager clarified that the Policy and Guidance stated clearly that a 'Gatekeeper' could not act as an 'Authorising Officer' on the same matter. The Head of Law added that the council could look at increasing its number of 'Gatekeepers'.
- 69.4 **RESOLVED-**
- 1) That the Committee approve 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 that necessity and proportionality rules are stringently applied.
 - 2) That the Committee note the surveillance activity undertaken by the authority since the report to Committee in December 2014 as set out in paragraph 3.3.
 - 3) That the Committee approve the continued use of the amended Policy and Guidance document as set out in Appendix 2.

70 ITEMS REFERRED FOR COUNCIL

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

71 ITEMS FOR THE NEXT MEETING

- 71.1 Dr Horne suggested the Committee receive the due diligence outcome for Orbis shared service proposals for Internal Audit.
- 71.2 The Head of Internal Audit stated that although it may not be possible to report the due diligence outcome, an update on the Internal Audit service would be provided.

The meeting concluded at 6.30pm

Signed

Chair

Dated this

day of

Subject:	Strategic Risk Focus: SR15 Keeping children safe from harm and abuse; and SR17 School Places Planning		
Date of Meeting:	8 March 2016		
Report of:	Acting Director, Finance & Resources		
Contact Officer:	Name:	Jackie Algar	Tel: 01273 29-1273
	Email:	Jackie.algar@brighton-hove.gov.uk	
Ward(s) affected:	All		

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

- 1.1 The Committee has a role to monitor the effectiveness of risk management and internal control. This includes oversight of the Strategic Risk Register which is set and reviewed every six months by the Executive Leadership Team (ELT). Each Strategic Risk is 'owned' by a member of ELT and has a risk management action plan to deliver action to address the risk.
- 1.2 The Committee has agreed a schedule in its annual Work Plan to focus on at least two strategic risks at each meeting, and asks Risk Owners to attend in order to more fully explore the details of actions to address each strategic risk.
- 1.3 This meeting will be attended by Pinaki Ghoshal, Executive Director Children's Services.

2. RECOMMENDATIONS:

- 2.1 That Members note the information provided to address these strategic risks in Appendix 1, Strategic Risk Assessment Report.
- 2.2 That, having considered Appendix 1 and any clarification comments from the Risk Owner the Committee make any recommendations it consider appropriate to the relevant council body.

3. FINANCIAL & OTHER IMPLICATIONSFinancial Implications:

- 3.1 Each Strategic Risk MAP provides details of actions already in place ('Existing Controls') or work to be done as part of business or project plans ('the Solutions') to address each strategic risks. Potentially these may have significant financial implications for the authority either directly or indirectly.

The associated financial risks are considered during the Targeted Budget Management process, the development of the Medium Term Financial Strategy and budget strategies.

Finance Officer Consulted: James Hengeveld

Date: 11/02/2016

Legal Implications

- 3.2 Members of the Committee are entitled to information, data and other evidence which enable them to reach an informed view as to whether the council's strategic risks are being adequately managed; and to make recommendations based on their conclusions.

Lawyer Consulted: Elizabeth Culbert

Date: 08/02/2016

SUPPORTING DOCUMENTATION

Appendices:

1. Strategic Risk Assessment Report: SR15 and SR17.

Documents in Members' Rooms

1. None.

Background Documents

1. Strategic Risk Register 2015/16 – reviewed by the Executive Leadership Team September 2015.



Integrated Risk Manager
A CAM MANAGEMENT SOLUTION



Brighton & Hove City Council

SR15 Keeping children safe from harm and abuse; and SR17 School Places Planning

Report Filters

Division : Children's Services
Organisational Risk Summary : Yes
Show Risk Details : Yes
Secondary Responsible Person : Yes
Risk Category : BHCC Strategic Risk

sales@cammanagementsolutions.com

www.cammanagementsolutions.com

Strategic Risk Assessment Report: Background Information/Terms Used

Date Identified: when the Executive Leadership Team (ELT) first agreed the risk

Date modified: when any of these elements of the Risk was authorised by ELT for modification:

- ROM Issue (the title of the risk)
- Identified (the description of the risk)
- Potential Conseq (the potential consequence(s) of the Risk)


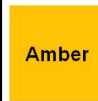
Risk Scores are allocated using this Risk Matrix:

LIKELIHOOD	MOST LIKELY IMPACT (if in doubt grade up not down)				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5 Yellow	10 Amber	15 Red	20 Red	25 Red
Likely (4)	4 Yellow	8 Amber	12 Amber	16 Red	20 Red
Possible (3)	3 Green	6 Yellow	9 Amber	12 Amber	15 Red
Unlikely (2)	2 Green	4 Yellow	6 Yellow	8 Amber	10 Amber
Almost Impossible (1)	1 Green	2 Green	3 Green	4 Yellow	5 Yellow

Action is taken in accordance with the colour coding of each of the four risk scores as follows:

GREEN 1 – 3	YELLOW 4 - 7	AMBER 8 - 14	RED 15 - 25
Low	Moderate	Significant	High
Monitor periodically	Monitor if the risk levels increase	Review & ensure effective controls	Immediate action required & need to Escalate to the management level above

Strategic Risk Detail

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR15	Keeping children safe from harm and abuse	Pinaki Ghoshal Carolyn Bristow Helen Gulvin	Legislative, BHCC Strategic Risk	10/06/2014	Threat	Treat	 L4 x I4	 L3 x I4		Revised: Adequate

Causes

Keeping vulnerable children safe from harm and abuse is a legal responsibility of the Council. Legislation requires all local authorities to act in accordance with national guidance (Working Together) to ensure robust safeguarding practice. This includes the responsibility to ensure an effective Local Safeguarding Children Board (LSCB) which oversees work locally and in partnership with Police, Health and social care providers. The numbers of children in care and Children in Need plans are significantly higher than in similar authorities. The number of children and young people who are sexually exploited is also of concern.


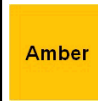
Potential Consequence(s)

The complexity of circumstances for many children presents a constant state of risk which demands informed and reflective professional judgement, and often urgent and decisive action, by all agencies using agreed thresholds and procedures. Such complexity inevitably presents a high degree of risk. Children subject to abuse, exploitation and/or neglect are unlikely to achieve and maintain a satisfactory level of health or development, or their health and development will be significantly impaired. In some circumstances, abuse and neglect may lead to a child's death.

Existing Controls

- * LSCB Work Plan established with strong leadership by the Independent Chair with aligned LSCB sub-group work plans;
- * Serious Case, Local Management and Child Death Reviews identify learning and action for improvement;
- * Quality Assurance within the city and also across key agencies monitored by the LSCB sub group ;
- * MASH (Multi Agency Safeguarding Hub) launched in September 2014 to provide robust risk assessments and information sharing between partner agencies which will lead to robust assessment of need using agreed Child Protection threshold document, policies and procedures;
- * In line with the government's Prevent strategy, work with the police, statutory partners, third sector organisations and communities to reduce radicalisation;
- * Proportion of children living in poverty is one of the key indicators regularly monitored by ELT ;
- * Early Help Strategy in place and Early Help Hub launched in September 2014;
- * Stronger Families, Stronger Communities work targets support to the most troubled families;
- * Reports delivered to LSCB following robust auditing of multi-agency case files and safeguarding practice;
- * Clarity regarding roles, responsibilities and accountabilities of all professionals and agencies;
- * Threshold document, agreed by all agencies, signed off by Children and Young People Committee; and LSCB on 2nd, and 3rd June 2014;
- * Continuous professional development and learning opportunities offered by the LSCB and good multi agency take up of training ;

Risk Action	Responsible Person	Progress %	Due Date	Start Date	End Date
SR 15 Action: Address failures in ICT information storage and retrieval processes to ensure appropriate access to case files by social workers.	Helen Gulvin	20	31/03/2016	01/04/2015	31/03/2016
Comments: Ongoing discussions with IT continue to ensure need and demand is understood and technological solutions are in place where needed . Recent weeks have seen an improvement in Citrix performance which we hope will be improved on and sustained.					
Support the Child Sexual Exploitation (CSE) Action Plan delivery	Helen Gulvin	75	31/03/2016	01/04/2015	31/03/2016
Comments: Progress to date: The Kite Team (supporting those at risk of CSE) has now been incorporated into our Adolescent Pod and launched on 26th October 2015. Monthly Monitoring meetings of those at high risk of CSE continue. Commissioning of Independent Return Home Interview service to work Pan Sussex, is now complete and should commence in April 2016. Discussions are taking place with the Police & Crime Commissioners Office and Downslink YMCA regarding CSE support and funding for 16/17. A pan Sussex approach from 17/18 is has started to be explored involving East & West Sussex, Sussex Police via the Police & Crime Commissioner and possibly health partners so arrangements for 16/17 will be a holding position.					
Work with partner agencies to safeguard young people at risk of radicalisation including Prevent.	Helen Gulvin	75	31/03/2016	01/04/2015	31/03/2016
Comments: We have robust plans in place around every child we have identified at risk of radicalisation / violent extremism which are reviewed every 6 weeks by a multi-agency group to ensure an effective, joined up response. There are good inter agency networks established and growing involvement with the community. Next steps: 1) Multi agency reviews to continue. Lead: Head of Service Safeguarding Deadline: Ongoing 2) Continue to monitor inter agency co-operation. Lead: Head of Service Safeguarding. Deadline: Ongoing.					

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR17	School Places Planning	Pinaki Ghoshal Carolyn Bristow Jo Lyons Richard Barker	Customer / Citizen, BHCC Strategic Risk	10/06/2014	Threat	Treat	 L4 x I4	 L3 x I4		Revised: Adequate

Causes

The Council has a statutory role to ensure primary and secondary school places meet future need. There has been an upturn in the birth rate so that since 2003, the number of school aged children living the city has been increasing year on year, therefore pupil places are increasingly challenged. This is particularly acute in areas when in previous years pupil yield has previously been very much lower. While previously there has been a focus on primary school places in the next few years we will have a significant pressure on secondary school places.

Potential Consequence(s)

- * Parents may not feel able to secure a place for their child in the local community;
- * There may be increased travelling;
- * Without identifying new sites, existing schools may become overcrowded or larger.

Existing Controls

- * Cross party school place planning group chaired by Risk Owner;
- * Regular review of pupil number forecasting has made it clear that primary growth starts to reach secondary schools by 2014, with the issue becoming acute in subsequent years. The future need focus relates to secondary school places;
- * Secondary Continuing Education meeting established to raise awareness including and involving all schools, colleges and two city universities. This has focused on school organisation;
- * School Admission project group established to review current admission arrangements . This includes Schools' and Member representatives;
- * 465 new primary school places (15.5 classes) added in last five years;
- * Two new free schools opened in city;
- * Four class junior site opened on Hove Police Station site September 2014;
- * One new permanent form of entry opened in September 2014 at West Hove Infant School (Connaught);
- * Following a public consultation two permanent additional forms of entry opened in September 2015 in primary schools serving areas of highest demand, with funding identified in the capital programme;
- * 80% of schools are currently assessed by Ofsted as good or outstanding and a new School Improvement Strategy has been adopted to support the target of all schools being good or outstanding;
- * A strategy for providing additional secondary school places has been developed and agreed through the Cross Party School Organisation Group and through a partnership group consisting of all ten secondary schools, the three colleges and the two universities with the local authority;
- * Council officers are working with schools where there are spare places to assist them in developing and sustaining strong partnership relationships with the primary schools in their catchment area;

* Preliminary curriculum and space analyses have been commissioned and completed for the four secondary schools where expansion would be most likely to meet the need for new places.

Risk Action	Responsible Person	Progress %	Due Date	Start Date	End Date
Provide support to the University of Brighton to develop a free school proposal	Jo Lyons	75	30/09/2015	01/04/2015	30/09/2015
Comments: Discussions have progressed with the University of Brighton Academies Trust with regards to them becoming a new school sponsor . Following an all party endorsement of these discussions by Policy & Resources Committee on 9 March 2015 the Trust submitted a free school application to the DfE (Department for Education) at the end of May 2015 with support from council officers. The University of Brighton Academies Trusts heard in early February 2016 that the application has been approved for the next stage. Work continues to locate a suitable site for the new school. Brighton & Hove City Council continue to provide maximum support to the process.					
SR 17 Risk Action: Deliver the School Improvement Strategy to support the remaining 20% of schools to be good or outstanding	Jo Lyons	75	31/03/2016	01/04/2015	31/03/2016
Comments: We have reviewed the School Improvement Strategy which outlines how we provide support and challenge to schools . Schools that are good or outstanding are expected to engage in a range of activities together to maintain this. Where this is not the case (identified by the schools themselves or by our rigorous categorisation process) we support and challenge through additional School Partnership Adviser visits and links with other schools . The revised categorisation process for primary and secondary is being rolled out following a consultation held with primary and secondary headteachers. A final version has been produced and representatives from a range of teams will meet to discuss and propose the level of priority / support. A special school model is also under construction. As at the end of December 2015 83.3% of schools in Brighton and Hove were judged to be good or outstanding. In Brighton & Hove the percentage of pupils in good or outstanding schools is 88.1% in primary and 80.8% secondary schools. The percentage of pupils in good or outstanding schools median for 152 local authorities in England was 86% for primary and 79% for secondary schools as at the end of August 2015 from Ofsted.					
SR 17 Risk Action: Review of 'lessons learned' from 2014 primary admissions round to be undertaken in consultation with the cross party working group with a view to agreeing earlier any bulge classes required	Jo Lyons	80	31/03/2016	01/04/2015	31/03/2016
Comments: A greater proportion of primary school age children have been offered places at their first preference school for September 2015. The total number of pupils offered their first preference school up by 117 this year at 2509 or 87.8%, compared to 2392 or 82.5% in 2014-5. The proportion of pupils offered one of their three preferred schools is also up at 95.9% from 94.2% last year. Where the council has not been able to meet any of the three preferred schools, parents have been offered a place at the nearest school that has places available . We have continued to review the work of the admissions team and learn from feedback . A recent review commissioned by Children, Young People & Skills Committee has supported our pupil number forecasts methodology. The provision of an additional permanent form of entry at two primary schools meant there was no need for bulge classes in 2015.					
SR 17 Risk Action: Review of secondary school admissions arrangements commissioned by Children and Young People Committee, to be steered by cross party working group :	Jo Lyons	50	31/03/2016	01/04/2015	31/03/2016

Comments: A significant new factor in the review has been the proposed new school for Brighton . The steering group has continued to consider modelling of possible options taking this into account and has also considered whether children eligible for the Pupil Premium should be given specific priority in the admissions arrangements. The steering group has agreed a programme for this work and timeline for consultation which will now be taken forward in March 2016 onwards. The near final report on the research project commissioned from the University of Brighton has been received, and its conclusions will be taken into account in shaping the consultation proposals.

Subject: Targeted Budget Management 2015/16 (Month 9)
Date of Meeting: 8 March 2016
Report of: Acting Director of Finance & Resources
Contact Officer: Name: James Hengeveld Tel: 29-1242
E-mail: James.Hengeveld@brighton-hove.gov.uk
Wards Affected: All

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT:

- 1.1 Targeted Budget Management (TBM) reports are reported to the Policy & Resources Committee and referred to the Audit & Standards Committee and the Cross Party Budget Review Group (monthly) to ensure effective member oversight and consideration of the in-year capital and revenue financial performance and associated risks. The Audit & Standards Committee's primary role in respect of TBM reports is to consider whether or not risks have been appropriately identified and treated to assure the ongoing financial resilience of the authority.
- 1.2 This report highlights the position as at Month 9 (December) as reported to the 11 February meeting of the Policy & Resources Committee.

2 RECOMMENDATIONS:

- 2.1 That the Audit & Standards Committee notes the update on the council's in-year financial position and the continuing actions taken to address forecast overspend risks.

3 CONTEXT/BACKGROUND INFORMATION:

- 3.1 The council's financial performance is monitored monthly through the Targeted Budget Management (TBM) process. TBM reports are reported to Policy & Resources Committee and more frequently (monthly) to the cross-party member Budget Review Group. They are also reviewed monthly by Directorate Management Teams and the Executive Leadership Team.
- 3.2 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. Individual services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within each budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending together with more regular monitoring of high risk 'corporate critical' areas.
- 3.3 In summary, as at Month 9 the forecast overspend risk on the council's General Fund was £0.452m as shown below:

Forecast Variance Month 7 £'000	Directorate	2015/16 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
2,354	Children's Services	55,335	57,266	1,931	3.5%
2,809	Adult Services	67,030	70,141	3,111	4.6%
(65)	Environment, Development & Housing	30,884	30,657	(227)	-0.7%
(489)	Assistant Chief Executive	15,499	14,890	(609)	-3.9%
(324)	Public Health (incl. Community Safety & Public Protection)	5,134	4,786	(348)	-6.8%
(2,002)	Finance, Resources & Law	29,569	27,356	(2,213)	-7.5%
2,283	Sub Total	203,451	205,096	1,645	0.8%
(1,172)	Corporate Budgets	6,565	5,372	(1,193)	-18.2%
1,111	Total Council Controlled Budgets	210,016	210,468	452	0.2%

3.4 In addition, the council's share of the forecast risk on NHS managed Section 75 partnership arrangements was £0.489m as follows:

Forecast Variance Month 7 £'000	Section 75	2015/16 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
542	NHS Trust managed S75 Services	11,488	11,977	489	4.3%

3.5 The Financial Position Update (TBM 6) report to the Special Policy & Resources meeting on 4 November outlined 'improvement targets' across all directorates to bring the position back into balance. These measures included:

- Further savings from vacancies;
- Further controls on agency/sessional work usage;
- Further one-off funding from other sources where this can be appropriately deployed e.g. Dedicated Schools Grant;
- The release of one-off Care Act funding and funding discussions with health partners;
- Further restrictions on supplies & services and training budgets;
- Temporary suspensions of planned and reactive property maintenance;
- Deferral of the ICT desktop replacement programme.

3.6 Month 7 (October) indicated a substantial forecast risk of £1.653m after taking into account corrective action and the impact of increased recruitment and financial controls introduced in late August as well as the improvement target measures outlined above.

3.7 The forecast risk for Month 9 (December) shows further improvement of £0.712m bringing the forecast overspend risk down to £0.941m. The TBM Month 9 report to Policy & Resources on 11 February 2016 describes the main underlying reasons for the overspend forecast which concerns pressures across Children's and Adults social care services and homelessness (temporary accommodation). The main reasons for the improvement from Month 7 are summarised in the table below.

Directorate	Movement £'000	Main Explanation for movement from Month 7 to Month 9
Children's Services	(423)	Reduced staffing requirements in Social Work Teams (£0.356m) and improvement in Fostering & Adoption (£0.135m) offset by increase in overspend on Child Agency Placements of £0.272m.
Adult Services	302	Pressures from savings put at risk of £0.712m and Increase in costs from complexity of clients of £0.238m are offset by a reduction in net demand (£0.309m), an increase in income (£0.211m) and one -off Care Act Funding (£0.063m).
Environment, Development & Housing	(162)	Reduction in the forecast overspend related to Temporary Accommodation due to less need to use spot purchased properties (£0.108m)
Assistant Chief Executive	(120)	Increased income from Seafront property rent reviews (£0.045m) Additional vacancy management savings (£0.030m)
Public Health (incl. Community Safety & Public Protection)	(24)	Lower than anticipated smoking figures resulting in reduced forecast spend (£0.053m) Offset by demand pressure regarding sexual and domestic violence of £0.023m.
Finance, Resources & Law	(211)	Improved forecast for the commercial property portfolio (£0.049m), Reductions in utility costs (£0.065m), further underspends in contracts and property functions review (£0.050m) Improved forecast for the Revenues and Benefits service, mainly around vacancy management and improved income collection (£0.090m) Offset by worsening of Housing Benefit subsidy forecast of £0.074m.
Corporate Budgets	(21)	Financing costs (£0.021m)
Total Council Controlled Budgets	(659)	
NHS Trust managed S75 Services	(53)	Overspend on jointly commissioned service expected to be covered by Better care Funding for 2015/16 only (£0.055m)
Total General Fund	(712)	Total improvement from Month 7 to 9

- 3.8 The report concludes that the improved position puts the authority within sight of achieving financial balance over the remaining 3 months of the year. However, there are still underlying pressures and significant risk areas within the forecast and therefore strict recruitment and financial controls must remain in place to maintain a strong grip on financial performance. This will also maintain the focus on containing costs and demands to avoid putting the revenue budget under immediate pressure at the start of the next financial year. The committee should note that the corporate risk provision of £1.620m will continue to be held centrally at present to mitigate against any shortfall in achievement of improvement targets, recovery actions or savings programmes in 2015/16.
- 3.9 With regard to the 2015/16 savings programme, this continues to be largely on track with £1.891m (9.0%) of the £21.089m savings target currently regarded as at risk. This risk is reflected in the overall TBM forecast each month and explanations of at risk areas are provided at Appendix 3 of the TBM report.

4 EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 4.1 Any overspend remaining at the year-end, after taking account of risk provisions, would need to be funded from general reserves which would then need to be replenished to ensure that the working balance did not remain below the recommended level of £9.000m. Any underspend would release one off resources that can be used to aid budget planning for 2016/17.

5 COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 None directly in relation to this update report.

6 CONCLUSION

- 6.1 The TBM Month 9 report to Policy & Resources Committee on 11 February highlighted the forecast overspend risk at Month 9 and reiterated the need to maintain financial and recruitment controls in order to bring the position back into balance by year-end.

7 FINANCIAL & OTHER IMPLICATIONS:

- 7.1 Included in the body of the report.

Finance Officer Consulted: Jeff Coates

Date: 26 February 2016

Legal Implications:

- 7.2 None directly in relation to this report. Implications relating to TBM Month 9 are detailed in the report to the 11 February Policy & Resources Committee meeting.

Equalities Implications:

- 7.3 Note directly in relation to this report. Implications relating to TBM Month 9 are detailed in the report to the 11 February Policy & Resources Committee meeting.

Sustainability Implications:

- 7.4 None directly in relation to this report. Implications relating to TBM Month 9 are detailed in the report to the 11 February Policy & Resources Committee meeting.

SUPPORTING DOCUMENTATION

Appendices: None

Documents in Members' Rooms: None

Background Documents: None

Subject:	Targeted Budget Management (TBM) 2015/16 Month 9		
Date:	11 February 2016		
Report of:	Acting Director for Finance & Resources		
Contact Officer:	Name:	James Hengeveld	Tel: 29-1242
	Email:	James.Hengeveld@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT:

- 1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out the projected forecast risk as at Month 9 (December) on the council's revenue and capital budgets for the financial year 2015/16.
- 1.2 The overall position has continued to improve from Month 7 as directorates work toward achieving the improvement targets outlined in the report to Special Policy & Resources Committee on 4 November 2015. The risk on council-controlled budgets is now down to £0.452m, however, there remains a risk of £0.489m on the S75 health partnership budget, primarily relating to mental health services. The S75 position is being closely monitored and ongoing discussions are being held with health partners to consider options for covering this risk.
- 1.3 Members will note from previous reports that the position has improved through a combination of one-off measures as well as increased financial and recruitment controls which must continue to be applied in order to achieve the projected outturn or better. This can be seen in the graph at paragraph 3.6 which clearly shows that underlying trends on corporate critical budgets, particularly social care, are not shifting significantly and this situation will need to be taken into account in setting the 2016/17 budget.
- 1.4 Financial performance is kept under review on a monthly basis by the Cross-Party Budget Review Group and the management and treatment of forecast risks is considered by the Audit & Standards Committee.

2 RECOMMENDATIONS:

It is recommended to:

- 2.1 Note the forecast risk position for the General Fund, which indicates a budget pressure of £0.941m. This consists of £0.452m on council controlled budgets and £0.489m on the council's share of the NHS managed Section 75 services.

- 2.2 Note the forecast for the Housing Revenue Account (HRA), which is an underspend of £0.874m.
- 2.3 Note the forecast for the Dedicated Schools Grant which is an underspend of £0.108m.
- 2.4 Note the forecast outturn position on the capital programme.
- 2.5 Approve the capital programme variations and reprofiles in Appendix 4 and new capital schemes in Appendix 5.

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Targeted Budget Management (TBM) Reporting Framework

- 3.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Policy & Resources Committee. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending together with more regular monitoring of high risk 'corporate critical' areas as detailed below.
- 3.2 The TBM report is normally split into 8 sections as follows:
 - i) General Fund Revenue Budget Performance
 - ii) Housing Revenue Account (HRA) Performance
 - iii) Dedicated Schools Grant (DSG) Performance
 - iv) NHS Controlled S75 Partnership Performance
 - v) Capital Investment Programme Performance
 - vi) Capital Programme Changes
 - vii) Implications for the Medium Term Financial Strategy (MTFS)
 - viii) Comments of the Director of Finance (statutory S151 officer)

General Fund Revenue Budget Performance (Appendix 1 & 2)

- 3.3 The table below shows the forecast outturn for Council controlled revenue budgets within the General Fund. Appendix 1 provides a summary of the movements from Month 7 and a more detailed explanation of the variances can be found in Appendix 2.

Forecast Variance Month 7 £'000	Directorate	2015/16 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
2,354	Children's Services	55,335	57,266	1,931	3.5%
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(65)	Environment, Development & Housing	30,884	30,657	(227)	-0.7%
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2,283	Sub Total	203,451	205,096	1,645	0.8%
(1,172)	Corporate Budgets	6,565	5,372	(1,193)	-18.2%
1,111	Total Council Controlled Budgets	210,016	210,468	452	0.2%

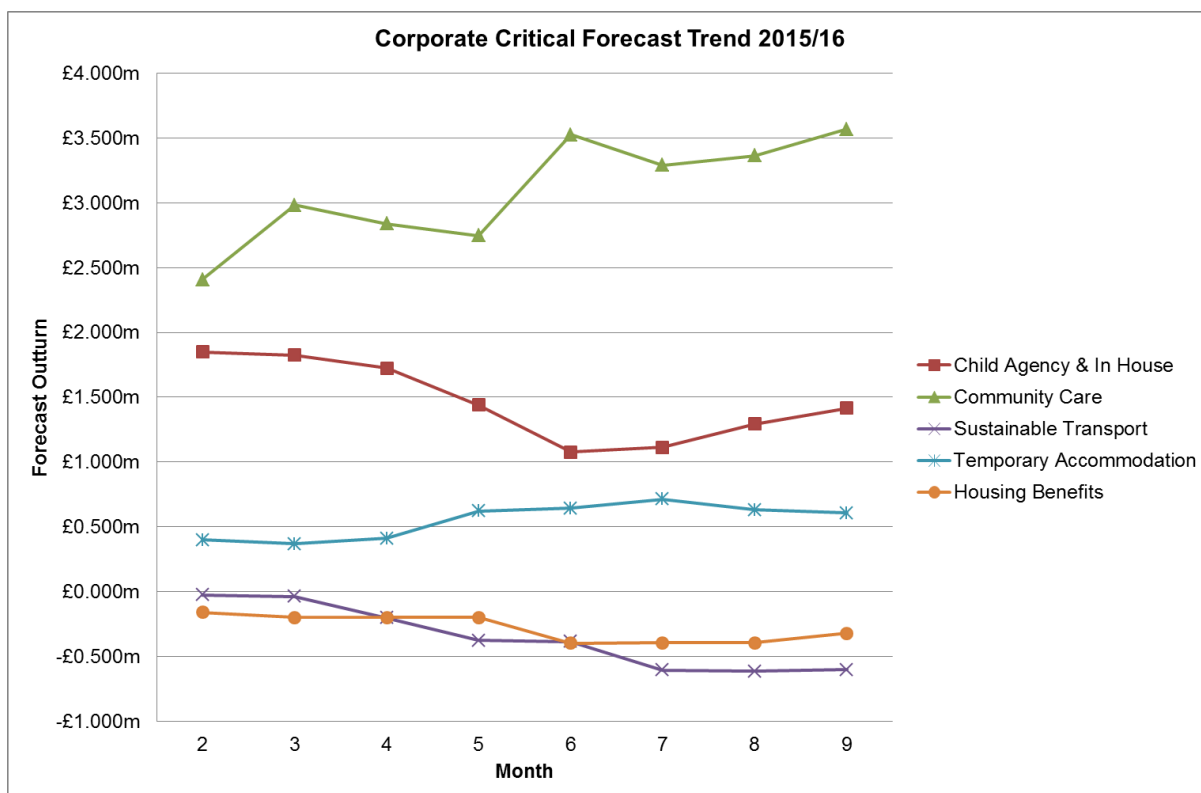
- 3.4 The General Fund includes general council services, corporate budgets and central support services. Corporate budgets include centrally held provisions and budgets (e.g. insurance). General Fund services are accounted for separately to the Housing Revenue Account (Council Housing). Although part of the General Fund, financial information for the Dedicated Schools Grant is shown separately as this is ring-fenced to education provision (i.e. Schools).

Corporate Critical Budgets

- 3.5 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict and where relatively small changes in demand can have significant implications for the council's budget strategy. These therefore undergo more frequent and detailed analysis. The Community Care figures in the table below exclude one-off Care Act funding of £2.147m.

Forecast Variance Month 7 £'000	Corporate Critical	2015/16 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
1,112	Child Agency & In House Placements	20,454	21,870	1,416	6.9%
3,291	Community Care	39,632	43,202	3,570	9.0%
(607)	Sustainable Transport	(17,029)	(17,632)	(603)	-3.5%
712	Temporary Accommodation	993	1,599	606	61.0%
(397)	Housing Benefits	(637)	(960)	(323)	-50.7%
4,111	Total Corporate Critical	43,413	48,079	4,666	10.7%

3.6 The forecast trend on Corporate Critical Budgets over the year-to-date is shown in the graph below. It indicates that Adult Social Care and Temporary Accommodation pressures have grown over the year while Children's has improved, although it is now on an upward trajectory. These corporate critical trends also clearly indicate that overall improvements to the council's financial forecasts are largely being achieved through reductions elsewhere.



Summary of the position at Month 9

The main pressures reported at Month 9 continue to be across Children's and Adults social care and Homelessness (Temporary Accommodation) as follows:

3.7 **Children's Services:** There continues to be increased pressure on the children's social care system both within Brighton and Hove and nationally. This is as a consequence of increased awareness of child abuse and child sexual exploitation following a number of high profile cases nationally. The age range with the largest increase are adolescents who can present quite problematic needs. The national increase in 2013/14 was 10.8% in referrals and a 12.1% increase in children subject to a child protection plan and it is believed this has continued to increase nationally this year. In Brighton and Hove there have been increases as a consequence of introducing improvements in the referral process following the start of the Multi Agency Safeguarding Hub (MASH). The most recent data shows that between March 2015 and June 2015 there was an increase in the number of assessed children from 673 to 976.

3.8 Overall, this is causing a cost pressure of £1.158m on social services staffing and £1.166m on placement budgets (as above). Together with risks of £0.679m on savings plans, and other underspending of £1.072m, this explains the forecast risk of £1.931m at Month 9.

3.9 **Adults Services:** The service is facing a significant financial challenge in 2015/16 in mitigating the pressures arising from the 2014/15 overspent position, and managing in year demand alongside implementing the Care Act, developing integration plans through the Better Care programme and completing the Learning Disabilities Review.

3.10 The forecast TBM risk at month 9 of £3.600m has increased by £0.249m from month 7. Within this increase, budgeted savings of £1.019m have been put at risk since Month 7 which has been mitigated by managing demand for and cost of community care placements and management control of essential spending across Provider Services. The forecast risk includes the following main elements that are described in more detail in Appendix 2:

- Approved budget savings of £8.101m at Month 9 are projected to fall short of the target by £0.898m with further risks against the remaining anticipated savings of £0.657m which rely on continued achievement of reduced placement costs and application of appropriate funding sources.
- In year spend has been reduced by £1.788m as a result of the action taken to manage demand for and cost of community care placements, improved forecasting through data quality checks, increased scrutiny and management controls and funding from health that has been agreed. Whilst there is a level of confidence that this reduction can be delivered for placements for older people there are continuing risks on placements for people with learning disabilities or mental health needs due to the volatility of demand.
- The in year forecast includes the use of one-off funding identified for the Care Act implementation of £2.210m which has been applied to support the investment required to deliver the savings plans. There is a subsequent risk in 2016/17 on the savings as a result of the investment being non-recurrent.
- There are unachieved savings from previous years of £3.184m across Assessment and Provider services for which mitigating recovery plans have been developed, including the Learning Disability Review, and at month 9 there is a significant risk against £2.694m of these savings (as reflected in the forecast overspend).
- The main area of forecast risk concerns service pressures identified at the beginning of the year of £3.783m relating to increased complexity of need, increased cost of transitions cases, pressures on the Provider Services budget and Deprivation of Liberty cases. At month 9 there is a significant risk against £3.668m of the plans against these pressures (as reflected in the forecast overspend). There is a financial and reputational risk to the Council if the Deprivation of Liberty cases are not assessed and authorised in accordance with Care Act requirements.
- The Better Care Fund underspend has been assumed to cover the overspend against the new community equipment contract. There is potential for a proportion of the remaining underspend to be allocated

against residential and nursing care placements and making use of this flexibility to achieve agreed outcomes.

- 3.11 The funding of all packages is scrutinised for Value for Money, ensuring that eligible needs are met in the most cost-effective manner which will not always meet customer aspirations, this forms a key part of the savings implementation plan. Adult Services are also using benchmarking information to support the driving down of unit costs but are faced with increased complexity and growth. Through regional and other social care networks we have been looking at best practice in delivering cost effective services in order to influence future direction - this includes demand management and identifying opportunities through Housing.
- 3.12 As described, there are significant risks still present within the forecast as at December 2015. In the last quarter (January to March) there is potential for a spike in demand especially with the pressure on the local hospitals and the need to support the local health economy. In addition it may be necessary to invest in the care market to ensure that care needs can be met. Discussions with the Clinical Commissioning Group to mitigate against these financial risks are ongoing.
- 3.13 **Housing Services and Temporary Accommodation:** There is a £0.586m pressure mainly relating to the ongoing need to spot-purchase expensive bed and breakfast accommodation which has been made worse by the need to hand back 54 leased properties so far this year. This reflects growing homelessness and the difficulty of securing affordable private rented homes in the city to meet the council's statutory housing obligations in a period of rapidly rising house and private rent prices. With the new framework in place, more cost effective leased properties are being procured but these are not keeping pace with demand. Therefore the need to spot purchase nightly temporary accommodation has not reduced as originally forecast.
- 3.14 The review of properties with Adults and Children's services clients has not resulted in any properties being released. Although 100 new leased properties have just been procured it will take some months before these become available. Other landlords with fewer properties are also being approached with a view to expanding the leased property portfolio. Housing services (General Fund) also have a number of undeliverable savings (£0.140m) which has contributed to the Housing overspend position.

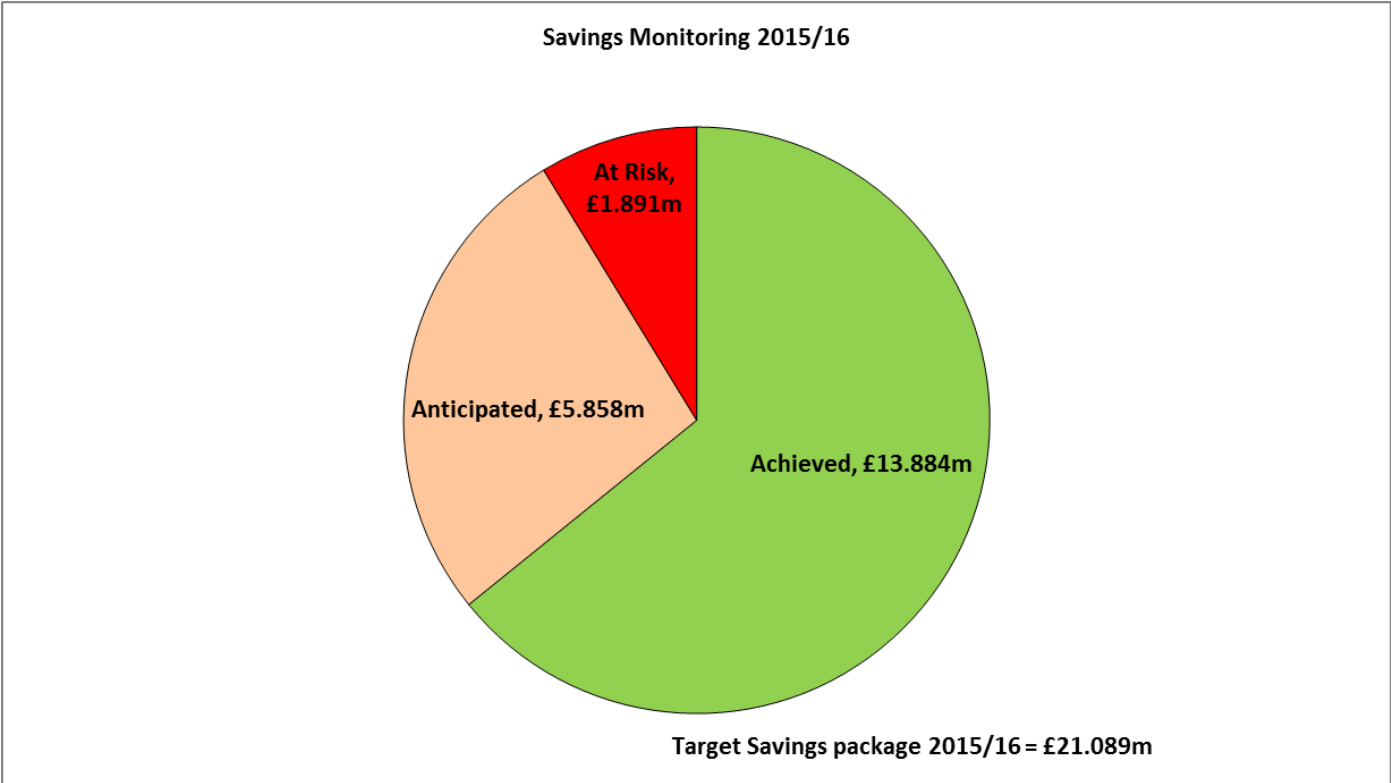
In Year Improvement Targets

- 3.15 Special Policy & Resources Committee on 4th November agreed improvement targets of £4.751m intended to bring the council's position back into balance by the year end. The overall position since Month 6 (when the targets were set) has improved by £3.810m and most of this (£3.495m) is due to measures taken as part of the improvement targets. The table below summarises performance against those targets.

	Improvement Target £'000	Target Achieved £'000	(Over) / Under Achieved £'000
Children's Services	(987)	(820)	167
Adult Services	(1,631)	(795)	836
Environment, Development & Housing	(826)	(517)	309
Assistant Chief Executive	(349)	(349)	0
Public Health	(217)	(217)	0
Finance & Resources and Law	(741)	(797)	(56)
Total Council Controlled	(4,751)	(3,495)	(1,256)

Monitoring Savings

- 3.16 The savings package approved by full Council to support the revenue budget position in 2015/16 was £21.089m (£24.852m in a full year). This is a very large savings package and follows 4 years of substantial packages totalling nearly £77.000m. Achievement of savings programmes and actions in 2015/16 is closely monitored to ensure satisfactory progress and avoid adding to financial pressures in future years through non-achievement.
- 3.17 Appendix 3 provides a summary of savings in each directorate and indicates in total what has been achieved, is anticipated to be achieved, or is at risk. Details of savings at risk are also provided. The graph below provides a summary of the position as at Month 9. This shows that a significant portion of the savings programme for 2015/16 is on track but there are some risk areas. Mitigation of these risks is included in the development of services' financial recovery actions and is factored into the overall month 9 TBM position.



(Note: Achieved savings can include over-achievements)

Housing Revenue Account Performance (Appendix 2)

3.18 The Housing Revenue Account is a separate ring-fenced account which covers income and expenditure related to the management and operation of the council’s housing stock. Expenditure is generally funded by Council Tenants’ rents. The current forecast is an underspend of £0.874m and more details are provided in Appendix 2.

Dedicated Schools Grant Performance (Appendix 2)

3.19 The Dedicated Schools Grant (DSG) is a ring-fenced grant which can only be used to fund expenditure on the schools budget. The schools budget includes elements for a range of services provided on an authority-wide basis including Early Years education provided by the Private, Voluntary and Independent (PVI) sector, and the Individual Schools Budget (ISB) which is divided into a budget share for each maintained school. The current forecast is an underspend of £0.108m and more details are provided in Appendix 2. Under the Schools Finance Regulations any underspend must be carried forward to support the schools budget in future years.

NHS Managed S75 Partnership Performance (Appendix 2)

3.20 The NHS Trust-managed Section 75 Services represent those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Foundation Trust (SPFT) and Sussex Community NHS Trust (SCT) and include health and social care

services for Adult Mental Health, Older People Mental Health, Substance Misuse, AIDS/HIV, Intermediate Care and Community Equipment.

- 3.21 These partnerships are subject to separate annual risk-sharing arrangements and the monitoring of financial performance is the responsibility of the respective host NHS Trust provider. Risk-sharing arrangements can result in financial implications for the council should a partnership be underspent or overspent at year-end and hence the performance of the partnerships is reported as a memorandum item under TBM throughout the year.

Forecast Variance Month 7 £'000	Section 75	2015/16 Budget Month 9 £'000	Forecast Outturn Month9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
542	NHS Trust managed S75 Services	11,488	11,977	489	4.3%

Capital Programme Performance and Changes

- 3.22 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall overspend of £0.569m forecast at this stage.

Forecast Variance Month 7 £'000	Capital Budgets	2015/16 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
0	Children's Services	13,498	13,498	0	0.0%
0	Adult Services	474	474	0	0.0%
572	Environment, Development & Housing - General Fund	44,319	44,687	368	0.8%
494	Environment, Development & Housing - HRA	32,891	33,111	220	0.7%
(19)	Assistant Chief Executive	3,103	3,084	(19)	-0.6%
0	Public Health	376	376	0	0.0%
0	Finance, Resources & Law	16,867	16,867	0	0.0%
0	Corporate Services	25	25	0	0.0%
1,047	Total Capital	111,553	112,123	569	0.5%

- 3.23 Appendix 4 shows the changes to the budget and Appendix 5 provides details of new schemes for 2015/16 to be added to the capital programme which are included in the budget figures above. Policy & Resources Committee's approval for these changes is required under the Council's Financial Regulations. The following table shows the movement in the capital budget since approval in the Month 7 report to the December Policy & Resources Committee.

Capital Budget Summary	2015/16 Budget £'000
Approved budget as at Month 7	128,258
Reported at other Policy & Resources committees since Month 7	509
New schemes to be approved in this report (see Appendix 5)	670
Variations (to be approved – see Appendix 4)	3,650
Reprofiles (to be approved - see Appendix 4)	(20,684)
Slippage (to be approved – see Appendix 4)	(850)
Total Capital Budget	111,553

3.24 Appendix 4 also details any slippage into next year. In total, project managers have forecast that £0.850m of the capital budget may slip into the next financial year and this equates to 0.76% of the budget.

Implications for the Medium Term Financial Strategy (MTFS)

3.25 The council's MTFS sets out resource assumptions and projections over a longer term. It is periodically updated including a major annual update which is included in the annual revenue budget report to Policy & Resources Committee and Full Council. This section highlights any potential implications for the current MTFS arising from in-year TBM monitoring above and details any changes to financial risks together with any impact on associated risk provisions, reserves and contingencies. Details of Capital Receipts and Collection Fund performance are also given below because of their potential impact on future resources.

3.26 The council has set aside risk provisions to mitigate non-achievement of savings or other unexpected pressures should the need arise. Risk provisions currently held are shown in the Corporate Budgets section of Appendix 2. Risk provisions will continue to be held back as every effort should be made to achieve financial balance through in-year savings, mitigating actions and controls, and recovery plans.

Capital Receipts Performance

3.27 Capital receipts are used to support the capital programme. Any changes to the level of receipts during the year will impact on future years' capital programmes and may impact on the level of future investment for corporate funds and projects such as the Strategic Investment Fund, Asset Management Fund, ICT Fund and the Workstyles VFM projects. The planned profile of capital receipts for 2015/16, as at Month 9, is £9.770m against which there have been receipts of £9.287m in relation to the disposal of Eastbrook Farm allotments, the Buckingham Road sites, 2 Boundary Road, the appropriation of the Whitehawk Library site, the disposal of a number of minor lease extensions at the Marina and the repayment of improvement grants.

3.28 The forecast for the 'right to buy sales' in 2015/16 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 50 homes will be sold with a maximum useable receipt of £0.480m to fund the corporate capital programme and net retained receipt of £2.387m

available to re-invest in replacement homes. To date the estimated number of homes sold has been exceeded and 60 homes have been sold in 2015/16.

- 3.29 A total of £2.275m receipts from the housing Local Delivery Vehicle (LDV) have been received to date. A further tranche of circa £1.400m is expected toward the end of the financial year. The net receipts are ringfenced to support investment in council owned homes.

Collection Fund Performance

- 3.30 The collection fund is a separate account for transactions in relation to council tax and business rates. Any deficit or surplus forecast on the collection fund relating to council tax is distributed between the council, Sussex Police and East Sussex Fire Authority whereas any forecast deficit or surplus relating to business rates is shared between the council, East Sussex Fire Authority and the government.
- 3.31 The council tax outturn for 2014/15 showed an improved position which means there is a brought forward collection fund surplus in 2015/16 of £0.410m, of which the council's share is £0.350m. The in-year monitoring for 2015/16 indicates a surplus of £1.890m, of which the council's share is £1.614m. The main factors within this surplus are lower than forecast Council Tax Reduction (CTR) discounts as a result of reducing caseload (£0.900m), lower student exemptions awards (£0.300m), higher than forecast property numbers (£0.500m), band increases (£0.300m), reduction in bad debt provision £0.100m and higher than forecast discounts of £0.200m for Severely Mentally Impaired (SMI).
- 3.32 The business rates outturn for 2014/15 showed an improved position of £0.130m for the council. The in-year monitoring for 2015/16 indicates a deficit of £2.007m of which the council's 49% share is £0.983m. This change is mainly caused by the recognition of a greater impact of appeals than previously estimated which requires greater provisions for backdated appeals as well as reducing the anticipated resource from business rates in future years. For example, there has been a national change to the rating of purpose built doctors' surgeries which has reduced rateable value on average by 65%, resulting in significant reductions in the ongoing business rates as well as a one-off payment for the backdated impact. Another example is in relation to a Valuation Office amendment, outside of the appeals scheme, which significantly reduced the rateable value of a property by changing the use from 'shop and premises' to 'retail warehouse and premises' and as this was backdated it reduced the ongoing liability and resulted in a one-off refund.
- 3.33 In addition to these gross liability changes there are also higher than anticipated awards of small business rates relief, mandatory charity relief and empty reliefs. Business rates still remain a difficult area to predict with certainty and the actual impact from the large number of appeals raised at year-end will not be known until all appeals have been actioned.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS:

- 4.1 The forecast outturn position on council controlled budgets is an overspend of £0.452m. In addition, the council's share of the forecast overspend on NHS managed Section 75 services is £0.489m. Any overspend at the year end, after risk provisions, would need to be funded from general reserves which would then need to be replenished to ensure that the working balance did not remain below £9.000m. Any underspend would release one off resources that can be used to aid budget planning for 2016/17.

5 COMMUNITY ENGAGEMENT AND CONSULTATION

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

6 CONCLUSION AND COMMENTS OF THE DIRECTOR OF FINANCE (S151 OFFICER)

- 6.1 The position at Month 9 shows improvement over Month 7 and puts the authority within sight of achieving financial balance over the remaining 3 months. However, there are still underlying pressures and significant risk areas within the forecast and therefore strict recruitment and financial controls must remain in place to maintain a strong grip on financial performance. This will also maintain the focus on containing costs and demands to avoid putting the revenue budget under immediate pressure at the start of the next financial year.

7 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The financial implications are covered in the main body of the report.

Finance Officer Consulted: Jeff Coates

Date: 29/01/2016

Legal Implications:

- 7.2 Decisions taken in relation to the budget must enable the council to observe its legal duty to achieve best value by securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The council must also comply with its general fiduciary duties to its council tax payers by acting with financial prudence, and bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit council tax & precepts.

Lawyer Consulted: Elizabeth Culbert

Date: 21/01/2016

Equalities Implications:

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

Sustainability Implications:

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

Risk and Opportunity Management Implications:

- 7.5 The Council's revenue budget and Medium Term Financial Strategy contain risk provisions to accommodate emergency spending, even out cash flow movements and/or meet exceptional items. The council maintains a recommended minimum working balance of £9.000m to mitigate these risks. The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

SUPPORTING DOCUMENTATION

Appendices:

1. Revenue Budget – Summary Movement
2. Revenue Budget Performance
3. Summary of 2015/16 Savings Progress
4. Capital Programme Performance
5. New Capital Schemes

Documents in Members' Rooms:

None.

Background Documents

None.

Subject:	Risk Management Strategy Annual Progress Report 2015 - 16		
Date of Meeting:	8 March 2016		
Report of:	Acting Executive Director, Finance & Resources		
Contact Officer:	Name:	Jackie Algar	Tel: 01273 29-1273
	Email:	Jackie.algar@brighton-hove.gov.uk	
Ward(s) affected:	All		

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

- 1.1 The Risk Management Strategy 2014-2017 was approved by the Policy & Resources Committee in January 2014. The Audit & Standards Committee received a copy of the approved report and enclosures as the Committee has a role to monitor the effectiveness of risk management.
- 1.2 The Risk Management Strategy 2014-2017 set out the Risk Management Programme by year to detail proposed actions over the three year period. This report details progress made on the Risk Management Programme 2015-16 against the identified measures.

2. RECOMMENDATIONS:

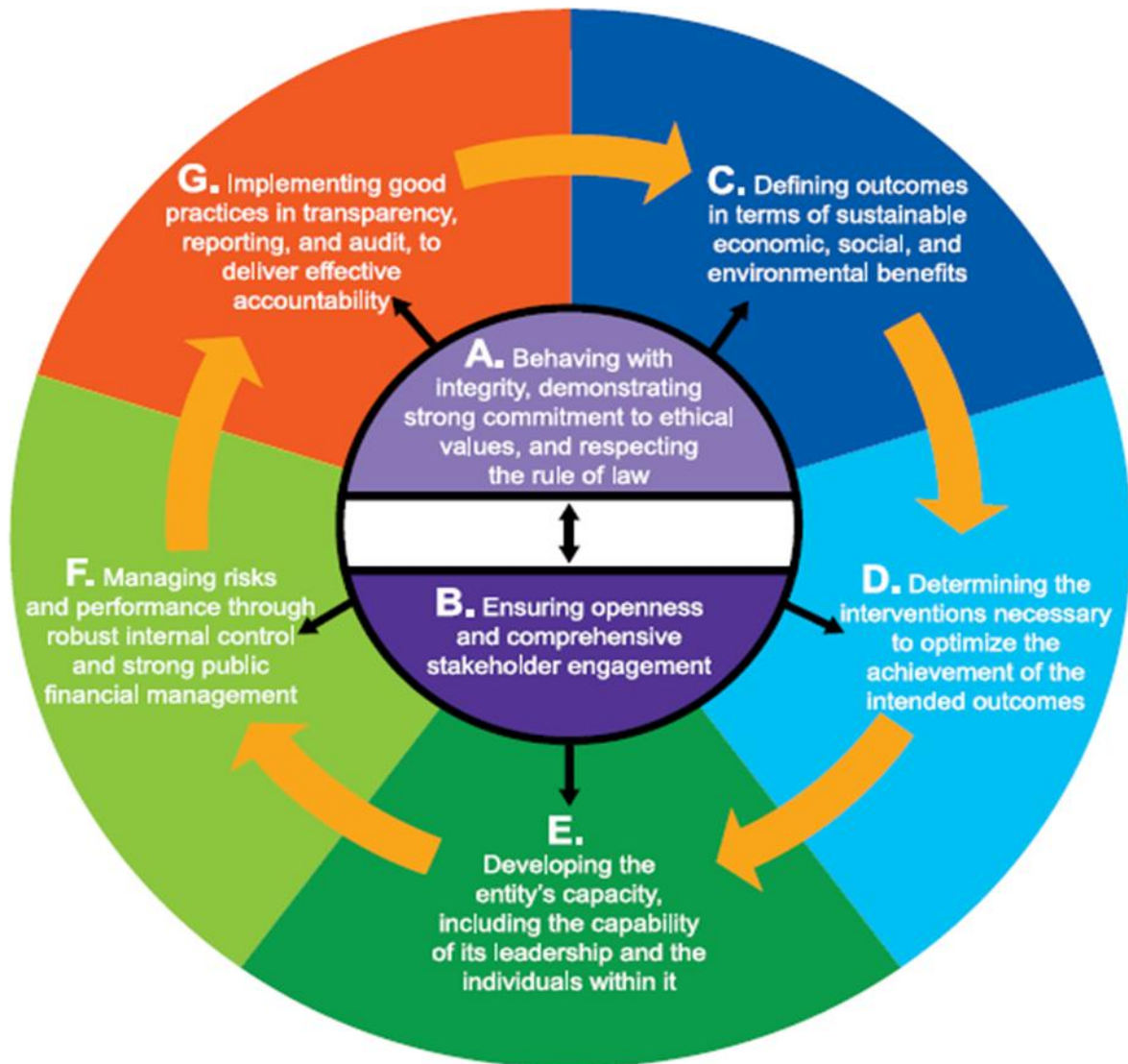
- 2.1 That Members note Appendix 1 of the report.
- 2.2 That, having considered the appendix and any clarification comments from the Risk Management Lead, then Committee make any recommendations it considers appropriate to the relevant council body.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The Risk Management process aims to bring openness, transparency and consistency in understanding what risks and uncertainties the Council, working with other organisations in the city, is facing. By managing the risk process effectively we will be in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.
- 3.2 The Risk Management Strategy 2014-2017 set out how risk management will seek to achieve objectives in the following key areas:
 1. Modernising the Council by using risk management
 2. Enable a risk aware culture which manages risks and takes up opportunities
 3. Continually improve and embed risk management into the existing processes

- of the council
4. Work to increase the capability of services to plan for unexpected events; meet services' expectations; and manage business activities.

3.3 Risk Management is one of the seven core principles of Corporate Governance as shown in the diagram below, Principle F includes managing risks. This is from the international framework: Good Governance in the Public Sector (CIFPA/IFAC, 2014)¹.



3.4 To support Corporate Governance Principle F, the Risk Management Lead is part of the Performance, Improvement and Programmes (PIP) service which consists of four teams: Corporate Programme Management Office, Corporate Performance; Customer Experience and Risk Management. A key role of the PIP

¹ CIPFA = Chartered Institute of Public Finance Accountancy; IFAC = International Federation of Accountants

Service is to devise, consult on, lead and enable implementation of the council's Performance Management Framework.

3.5 The Performance Management Framework aims to ensure common understanding regarding how well we are performing as an organisation. The link with risk management is set out below:



3.6 The Risk Management Strategy is due for refresh towards the end of 2016 and, given the Committee's role, its views will be sought in due course.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 None

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 None

6. CONCLUSION

6.1 As detailed in the body of the report.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The Risk Management Strategy assists the authority in complying with Corporate Governance Standards and contributes to the authority's control and risk management arrangements for the Annual Governance Statement within the Financial Statements.

Finance Officer Consulted: James Hengeveldt

Date: 12/02/16

Legal Implications:

- 7.2 It is a core function of the Committee to provide assurance on the adequacy and effectiveness of the council's risk management framework and associated control environment. Scrutiny and examination of progress against the Risk Management Strategy Programme is a legitimate exercise of that function.

Lawyer Consulted: Elizabeth Culbert

Date: 08/02/16

Equalities Implications:

- 7.3 Not applicable.

Sustainability Implications:

- 7.4 Not applicable.

Any Other Significant Implications:

- 7.5 None

SUPPORTING DOCUMENTATION

Appendices:

1. Annual Progress 2015-16 in delivery of the Risk Management Strategy.

Documents in Members' Rooms

1. None.

Background Documents

1. Risk Management Strategy 2014-17.

APPENDIX 1

Strategic Objective & Aim 1. Modernising the council The council will use risk management to enable open and transparent decisions; prioritise resources; and improve performance management to achieve outcomes		
Action 15/16	Outcome measure(s)	Progress update at February 2016
1.1. Work with Performance Team to maximise the use of Interplan software to integrate links between risks into business plans at service delivery level	1.1 Relevant officers in services access risk register as part of their 2014/15 business plan via Interplan; and additionally all business plans with integrated risk registers are available for all officers via the intranet (the Wave)	ACHIEVED. a) Risk Reporting Timetable 2015/16 has involved timetabled quarterly reviews at Directorate Management Teams, lead by the Director with support from the Risk Management Lead. All Directorate risk registers are updated and reported by Integrated Risk Manager (IRM), a module of Interplan b) Directorate Risk Registers and the Strategic Risk Register inform the Directorate Plan. The Corporate Performance Team enable officers to record data on Interplan and produce performance reports for DMTS, ELT and politicians and partners.
1.2 Work with the Performance Team to deliver Interplan training programme for managers and nominated staff to introduce linking of risk management actions to performance reporting	1.2 Interplan performance reports are used to track actions and input from officers across all business plans including actions to manage risks	ACHIEVED a) A change of approach has been agreed and implemented. The Executive Leadership Team decided in late 2014/15 that for 2015/16 there would be focus on Directorate Plans and Directorate Risk Registers, with optional Service Plans and accompanying risk registers where the directorate considered it appropriate. The method for storing and updating information is Interplan, and the accompanying IRM module. b) All Interplan and IRM users have been offered support and training by the Corporate Performance Team and the Risk Management Lead. Guidance has been produced and is kept up to date.

APPENDIX 1

<p>1.3. The council's Learning Development Programme currently offers risk management training which will be continued, but the offer will be extended by integrating risk management within Induction; and Being a Manager courses <i>Outcome measure: Number of sessions; attendees and feedback forms monitored as part of Learning & Development programme reports</i></p>	<p>1.3 Number of sessions; attendees and feedback forms monitored as part of Learning & Development programme reports</p>	<p>PARTIALLY ACHIEVED As for 2014/15 as a result of discussion with the Learning & Development team in HR, it was felt more appropriate to include risk management module in project and programme management training and with business improvement work as these are linked to the Modernisation Programme.</p> <p>There is a review underway of the Learning & Development Programme lead by HR. The Risk Management Lead and the Head of Performance & Improvement have provided input. ..</p>
<p>1.4. Provide an overview of Modernisation programme risk registers, regularly updated by responsible officers and quality checked by the Risk Manager, to receive consideration</p>	<p>1.4 Programme plan actions include those to address risk and opportunities and are performance managed</p>	<p>ACHIEVED The Risk Management Lead is part of the Advisory & Support Group and provides a quality check of risk registers relating to corporate Modernisation programmes. Programmes and projects reported to the Executive Leadership Team/Corporate Modernisation Board.</p>

APPENDIX 1

Strategic Objective & Aim 2. Enable a risk aware culture which manages risks and takes up opportunities. The council, and in its work with partners, uses risk management to be better at anticipating and/or responding to changes affecting our operating environment.		
Action 15/16	Outcome measure(s)	Progress update at February 2016
2.1. Promote method to enable accountability, escalation methods and understanding of risk reporting; and where there are unexpected outcomes or failures from taking risks and opportunities, be accountable and learn and improve	2.1 Track communications and report number of escalated risks and actions agreed by the Officers' Governance Board ¹	<p>ACHIEVED</p> <p>The Risk Reporting Timetable and quarterly Directorate Management Team (DMT) agreement of risk ownership and risk actions which are detailed on IRM have greatly assisted accountability.</p> <p>The Risk Escalation from DMTs to ELT occurs through ELT considering all Directorate Risk Registers and existing and new Strategic Risks at the six monthly Strategic Risk Register Reviews.</p> <p>The Risk Management Steering Group (RMSG) meets quarterly and is chaired by the Risk Management Lead. The group consists of Health & Safety, Emergency Planning, Business Continuity, Internal Audit, Public Health Resilience, Insurance and Community Engagement. Risks & Opportunities from RMSG are reported by the Risk Management Lead to the Officers' Governance Board. Apart from risk escalation through the ELT review process; DMT risk register reviews; facilitated risk sessions at service level, direct reports to the Chief Executive from Health & Safety, Emergency Planning, and the Head of Performance, Improvement & Programme (PIP) to the Chief Executive and the Officers' Governance Board, there are opportunities for any officer to access advice from the Risk Management Lead</p>

¹ Officers' Governance Board is a group of council officers meeting at least 4 times a year. It is chaired by the interim Executive Director, Finance & Resources includes representation from the Head of Legal Services; the Head of Internal Audit and the Risk Management Lead.

APPENDIX 1

<p>2.2 Continue with partnership working to identify and develop the city wide risk approach; and also seek further commitment across organisations and sectors to reflect risk and opportunity in the governance and management arrangements that support major change across organisations</p>	<p>2.2.1 City Management Board receive and consider regular updates on risk management action plans and city wide risks within City Performance Plan reports</p> <p>2.2.2 Major Change projects across organisations are informed by a shared risk management process and risk register</p>	<p>2.2.1 PARTIALLY ACHIEVED In 2015/16 there has been no refresh of the City Wide Risk Register, the next date for the City Management Board is set for September 2016. It will be reported as a dual item with City Performance Plan reports within the same timescale and item at the City Management Board.</p> <p>However, there is ongoing Strategic Partnership work based on the existing city wide risks.</p> <p>2.2.2 ACHIEVED Major Change projects, some of which include partners, are part of the Corporate Modernisation Programme overview and programme and supported by the Performance, Improvement & Programmes Service to ensure that both sides of risk, downside (negative) risks and upside (positive) opportunities are considered in accordance with the risk management process. The Strategic Risk 22, Modernising the Council, is regularly reviewed at the Finance & Resources DMT and by the Chief Executive who is the Risk Owner.</p>
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APPENDIX 1

<p>2.3 Review the risk management process and incorporate improvements from practice and initiatives in other sectors to enable a risk process and culture that reflects the council's activities and partners across the sectors with which it relates to; and assist work to enable better 'collaboration between communities, the Third Sector and the council to improve the design and delivery of public services, and maximise the impact of public investment'</p>	<p>2.3. Revisions to Risk Management process to improve cross-organisational focus reported at year end</p>	<p>ACHIEVED a) Risk Management Process is updated throughout the year. The Executive Director of Finance & Resources has delegated authority from Policy & Resources Committee to approve changes made. b)The Risk Management Lead was a judge (Oct. 15) for two categories of the Institute of Risk Management's Global Risk Management Awards 2016, Cyber Risk; and Building Risk Management Capability which afforded insight into risk management practices and different perspectives from other 31 organisations across sectors and countries. This enables her to compare the council's risk management arrangements to best practice. c)Improvements made to the risk management process, for instance further expanded risk management to reflect RAID (Risk, Assumption, Issues and Dependencies) project management methods..</p>
<p>2.4 Reinstate the Opportunity Management Training offer in the Learning & Development Programme</p>	<p>2.4 Number of training sessions and attendees, and record of risk management actions</p>	<p>PARTIALLY ACHIEVED a) There is a review underway of the Learning & Development Programme lead by HR. The Risk Management Lead and the Head of Performance & Improvement have provided input. b) Work is underway to develop risk management guidelines to assist council officers and enable community collaboration. Initially this is being led by the Risk Management Steering Group.</p>

APPENDIX 1

Strategic Objective & Aim 3. Continually improving and embedding risk management into the existing processes of the council. The council is a learning organisation and will combine its resources and effort to meet challenges and succeed from a risk aware position which is continually reviewed, to enable services to be delivered and manage uncertainty as best it can.		
Action 15/16	Outcome measure(s)	Progress update at February 2016
3.1. Work with Human Resources & Organisational Development to incorporate risk management further into the Learning & Development Programme to develop capability around performance including responsibilities for risk management so that we are all equipped with knowledge and awareness of how we are all risk managers each with: <ul style="list-style-type: none"> • courage to take informed risks; • improved ability to recognise where, when and how to take up opportunities and also minimise negative risk impacts; • confidence to demonstrate the risks and opportunities have been managed 	3.1 Risk Management awareness better recognised as a skill required of employees	PARTIALLY ACHIEVED a) Consultancy and support from the Risk Management Lead is provided to all services through risk workshops, input on programme and project boards and via e-learning and Wave documents. An internal audit report in 2015 gave an opinion of substantial assurance on service based risk management arrangements. b) There is a review underway of the Learning & Development Programme lead by HR. The Risk Management Lead and the Head of Performance & Improvement have provided input.

APPENDIX 1

<p>3.2. Work with the Performance Team to 'roll out' Interplan to services to enable 'real time' updates and reminders to update progress</p>	<p>3.2 Relevant performance reports include risk management actions from start date of implementation</p>	<p>ACHIEVED The Risk and Corporate Performance Teams are co-located and managed as part of Performance, Improvement & Programmes Service. Work to roll out and use Interplan and IRM is co-ordinated across council services and is detailed in the PIP Service Workplan.</p>
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APPENDIX 1

Strategic Objective & Aim 4. Work to increase the capability of services to plan for unexpected events; meet service expectations; and manage business activities Council services are resilient to unexpected event(s) and able to provide assurance on its business continuity readiness.		
Action 15/16	Outcome measure(s)	Progress update at February 2016
4.1. Provide risk management advice to assist work between ICT and the Civil Contingencies Team to re-assess the links between service business continuity plans and IT Disaster Recovery arrangements. This will reflect ICT Governance requirements and the scale of organisational change as the council works towards achievement of Corporate Plan Objective 4, Modernising the Council	4.1.1 ICT Disaster Recovery arrangements are made clear to services, and business plans and contingency arrangements are revised as necessary 4.1.2 Revised business continuity plans are tested, in key areas to be determined by ELT on the advice of the Civil Contingencies Team 4.1.3. Directorates and services undertake business continuity planning as part of their usual business and risk management planning activities. Information is 'real time' and accessible to all users of the system	PARTIALLY ACHIEVED a) Risk Management Lead assisted the work to set up the Corporate Business continuity group, the review of the business continuity template format, development of e-learning and identified resource to facilitate review of risks and priority areas. b) The Emergencies and Resilience Manager provided a report which was approved by the Executive Leadership Team in January 2016 a new Business Continuity Policy c) ELT agreed that Directorate Management Teams will review their Business Continuity Policies on a quarterly basis with support from the Emergencies & Resilience Team. d) ICT have developed a risk management process to sit alongside and complement the corporate risk management arrangements. The Risk Management Lead is invited to the Information Governance Board. e) Emergencies & Resilience team sample and test Business Continuity Plans on an ongoing basis and as incidents occur. f) Corporate Modernisation Programmes; Directorate modernisation programmes and large projects are informed by a risk register. Appropriate contacts between Corporate Programme Management Office and the emergencies & resilience team continue to be developed.

APPENDIX 1

<p>4.2. Provide risk management advice to assist work between the Civil Contingencies Team and the Performance Team to include actions from business continuity plans in the council's regular performance and risk management reporting using Interplan software system.</p>	<p>4.2 Directorates and services undertake business continuity planning as part of their usual business and risk management planning activities. Information is 'real time' and accessible to all users of the system</p>	<p>ACHIEVED Other arrangements as detailed above under 4.1 are in place.</p>
<p>4.3. Ensure that main programmes and projects delivering change are informed by a risk register; business continuity plan and project management arrangements and the impact of major changes on existing service arrangements are communicated and understood as part of the project management arrangements.</p>	<p>4.3 Business Continuity is considered at all stages and at appropriate times in programme and project review.</p>	<p>ACHIEVED a) The governance arrangements to report to the Corporate Modernisation Delivery Board requires regular assessment of risks and mitigating actions are planned. All relevant initiatives are reported to the Directorate Modernisation Boards to ensure services are aware of the potential impact. Programme Management Office Business Partners are assigned to Directorates to ensure relevant information is communicated to services as required. b) Quarterly review of business continuity plans at DMTS and opinion provided by the Emergency Planning & Resilience Manager will inform Directorate Modernisation Boards and link to directorate programmes and projects.</p>

Subject:	Ernst & Young - 2014/15 Annual Certification Report and December 2015 Progress Report		
Date of Meeting:	8 March 2016		
Report of:	EY		
Contact Officer:	Name:	Paul King	Tel: 0118 928 1556 (Ext 41556)
	Email:	pking1@uk.ey.com	
Ward(s) affected:	All		

1. SUMMARY AND POLICY CONTEXT:

- 1.1 **Audit Plan 2015/16** - The 2015/16 Audit Plan sets out how we intend to carry out our responsibilities as your external auditor. It covers the work we plan to perform in order to provide you with:
- our audit opinion on whether the Council's financial statements give a true and fair view of the financial position as at 31 March 2016 and the income and expenditure account for the year then ended; and
 - a statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

The report summarises our progress to date, our assessment of the key risks which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

- 1.2 **LG Sector Briefing** - The purpose of this report is to summarise some of the current issues facing the Local Government sector and is for information only.

2. RECOMMENDATIONS:

- 2.1 To consider the 2015/16 Audit Plan and ask questions as necessary on our proposed audit approach, progress to date and audit scope. You should also consider whether there are any other matters which you consider may influence our audit.
- 2.2 That the committee notes the LG sector briefing.

Brighton & Hove City Council

Year ending 31 March 2016

Audit Plan

February 2016

Ernst & Young LLP



EY

Building a better
working world

Audit & Standards Committee Members
Brighton & Hove City Council
Kings House
Grand Avenue
Hove
BN3 2LS

15 February 2016

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit & Standards Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 8 March 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Paul King
For and behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the [PSAA website \(www.psa.co.uk\)](http://www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit & Standards Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Brighton & Hove City Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended; and
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; and,
- ▶ management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council. We will provide an update to the Audit & Standards Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2016.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ reviewing accounting estimates for evidence of management bias, and ▶ evaluating the business rationale for significant unusual transactions
Risk of fraud in revenue recognition	
<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Given the financial challenges facing the Council we have assessed a significant risk to the measurement and occurrence of income sources, and the completeness and measurement of expenditure.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ review and test revenue and expenditure recognition policies; ▶ review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias; ▶ develop a testing strategy to test material revenue and expenditure streams; and ▶ review and test revenue cut-off at the period end date
Valuation of property, plant and equipment (PPE)	
<p>Land and building valuations are based upon valuation reports issued by a range of internal and external professional valuers used by the Council.</p> <p>The valuations are carried out in accordance with the methodologies and bases for estimation set out in relevant professional standards. The Council carries out a rolling programme for revaluing its PPE assets, excluding council dwellings and a limited number of other assets, which ensures that all PPE assets required to be measured at fair value are revalued at least every five years.</p> <p>In adopting this rolling programme of revaluations it is important that the Council is able to demonstrate the carrying value of</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ follow up on our recommendations from 2014/15 to ensure there are no material misstatement within the PPE balances disclosed within the financial statements.

assets not subject to revaluation in the year of account is not materially mis-stated.

In 2014/15 our testing identified a material amendment to the valuation of PPE included within the financial statements. We recommended that the Council ensure that:

- ▶ all property, plant and equipment revaluations are undertaken as close to the balance sheet date as reasonably possible;
- ▶ the scope of the annual impairment review undertaken by the Council's valuer is extended to explicitly consider the need to uplift asset values. This should consider both the results of actual revaluations undertaken across significant classes of assets and more widely available evidence of changes in value, for example available indices; and
- ▶ checks are undertaken and more clearly documented by the Council's internal valuer and Central Financial Services on the reasonableness of asset valuations undertaken by the Council's valuer.

Non-significant financial statement risks

Minimum revenue provision (MRP)

Local authorities are normally required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements. This provision is known as MRP. MRP is a real charge that impacts on the general fund and therefore the council tax financing requirement.

The Council proposes to make changes to the basis on which it has charged MRP and its future approach to calculating the provision.

Although not material to our responsibilities in any one year we have commissioned an EY expert to review the changes proposed by the Council in this area.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ identifying fraud risks during the planning stages;

- ▶ enquiry of management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. For 2015/16 this is based on the overall evaluation criterion:

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

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant Value for Money (VfM) risks which we view as relevant to our value for money conclusion.

Significant value for money risks

Our audit approach

The Council will not be able to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

The Council continues to face very significant and increasing financial challenges. It must save in excess of £20 million in its 2016/17 budget to match its spending to the resources it will have available. In total it predicts that it will need to save some £68 million from its budget over the next four years.

Continued reductions in government grants, and increasing demand and cost around key services such as adult social care and childrens' services are the key drivers of the need for significant savings. The Council continues to seek alternative solutions to ensure that local services can be maintained and supported in the future, in line with local need.

Our approach will focus on:

- ▶ use of PSAA's value for money profile tool to assess Council spending against similar councils; and
- ▶ review and assess the updated assumptions within the Council's 2016/17 budget and medium term financial plan.

We will keep our risk assessment under review throughout our audit and communicate to the Audit & Standards Committee any revisions to the specific risks identified here and any additional local risk-based work we may need to undertake as a result.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ financial statements; and
- ▶ arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also:

- ▶ review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.
- #### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

Processes

Our initial assessment of the key processes across the Council has identified the following key processes where we will seek to test key controls, both manual and IT:

- ▶ accounts receivable;
- ▶ accounts payable;
- ▶ council tax income;
- ▶ housing benefit and council tax support;
- ▶ national-non domestic rates;
- ▶ payroll; and
- ▶ social care expenditure.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit & Standards Committee.

Internal audit

As in prior years we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements. Where relevant, we will seek to use the work of internal audit if they have covered the key controls we wish to test in the Council's key processes outlined above.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions	Council actuary, EY pensions team
Property, plant and equipment	Council valuers, EY valuations team
Minimum Revenue Provision	EY financial accounting and advisory services team

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ assess the reasonableness of the assumptions and methods used;
- ▶ consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 **Mandatory audit procedures required by auditing standards and the Code**

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ addressing the risk of fraud and error;
- ▶ significant disclosures included in the financial statements;
- ▶ entity-wide controls;
- ▶ reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- ▶ reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 **Materiality**

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 **Fees**

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative scale fee for the audit of Brighton & Hove City Council is £158,550.

4.6 **Your audit team**

The engagement team is led by Paul King. Paul is supported by Ian Young who is responsible for the day-to-day direction of audit work and is the key point of contact for the Head of Central Financial Services.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit & Standards Committee's cycle in 2016. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit & Standards Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit & Standards Committee timetable	Deliverables
High level planning	April 2015 - December 2015	Delivered April 2015	Audit Fee Letter
Risk assessment and setting of scopes	December 2015 –January 2016	8 March 2016	Audit Plan
Testing routine processes and controls	February 2016 – April 2016	21 June 2016	Progress Report
Year-end audit	June 2016 - July 2016	27 September 2016	
Completion of audit	September 2016	27 September 2016	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; [our opinion on the regularity of your expenditure and income]; and, [by exception] overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October 2016	15 November 2016	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ the safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ the overall assessment of threats and safeguards; and ▶ information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ details of non-audit services provided and the fees charged in relation thereto; ▶ written confirmation that we are independent; ▶ details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ an opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

At the time of writing, no non-audit fees are proposed. No additional safeguards are required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Paul King and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 £	Outturn fee 2014/15 £
Opinion Audit and VFM Conclusion	158,550	158,550	215,878*
Total Audit Fee – Code work	158,550	158,550	215,878
Certification of claims and returns	15,957	15,957	18,531

All fees exclude VAT.

* An additional fee of £4,478 was required to complete work on the value for money conclusion and to review additional work undertaken by the Council on the valuation of assets carried in its accounts. This resulted in material amendments being made to the 2014/15 financial statements.

The agreed fee presented above is based on the following assumptions:

- ▶ officers meeting the agreed timetable of deliverables;
- ▶ the operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;
- ▶ we can rely on the work of internal audit as planned;
- ▶ our accounts opinion and value for money conclusion being unqualified;
- ▶ appropriate quality of documentation is provided by the Council; and
- ▶ the Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit & Standards Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	▶ Report to those charged with governance
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	▶ Report to those charged with governance
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit & Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	▶ Report to those charged with governance
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	▶ Report to those charged with governance
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	▶ Report to those charged with governance
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit & Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Standards Committee may be aware of 	▶ Report to those charged with governance

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>

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Local government audit committee briefing

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This sector briefing is one of the ways that we see as supporting you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the local government sector and the audits that we undertake.

The public sector audit specialists in EY's national Government and Public Sector (GPS) team have extensive public sector knowledge which is supported by the wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only

technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authorities.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local engagement team.



Government and economic news

EY Item Club forecast

In its latest quarterly forecast (Winter) the EY Item Club highlights that what it terms the UK consumer's "holiday" from inflation and austerity in 2015 is expected to continue well into 2016, aided by the sharp fall in oil and other commodity prices, and the Chancellor's change of heart on working tax credits.

Whilst the global situation is clearly fragile, the UK is seen to be well placed to ride out the storms. Growth is expected to increase from the revised 2.2% in 2015 to 2.6% this year, being supported by low inflation and interest rates. The CPI is forecast to increase by just 0.7% and they do not expect the Bank of England Monetary Policy Committee to increase bank rate until late in the year.

Looking further forward, the forecast is for inflation and austerity to return, with GDP growth of 2.3% in 2017 and 2.2% in 2018 and consumer spending growth dropping from 2.8% in 2016 of 2.1% in 2017 and 1.7% in 2018. Highlighted as impacting on this are the increasing taxes and levies on consumers and companies, and the roll-out of Universal Credit (which will claw back this Autumn's concessions to low earners). Inflation is expected to increase to 1.8% by 2018, remaining below the MPC target until 2019.

Continuing uncertainty over the EU Referendum could potentially hit business investment this year, as businesses wait to see the result, but momentum in the UK and other economies is seen as supporting capital spending this year.

Local Government Devolution

Towards the end of 2015, Birmingham and Liverpool each agreed devolution deals with Treasury which gives them control over infrastructure investment, transport and skills. This brings the total of devolution deals to 6:

- ▶ Birmingham
- ▶ Liverpool
- ▶ Greater Manchester
- ▶ Sheffield
- ▶ North East
- ▶ Tees Valley

Each area will need to elect a metro mayor, with elections expected to take place in 2017.

For Birmingham, £1.2bn of government investment is anticipated over the next 30 years, and for Liverpool the expectation is £30mn per year over the next three decades.

Read the government announcements in full at <https://www.gov.uk/government/news/historic-devolution-deal-to-power-the-midlands-engine> and <https://www.gov.uk/government/news/liverpool-devolution-deal-boosts-the-northern-powerhouse>.



Government and economic news

Spending Review 2015

Some headlines from the Spending Review 2015 include:

- ▶ The intention to be running a £10bn surplus by 2019/20.
- ▶ Tax credit taper rates and thresholds will remain unchanged.
- ▶ Council tax increases of 2% to support social care will be permitted. Local Police and Crime Commissioners will have the power to increase their share of council tax by 2% from April 2016.
- ▶ From 2020, local government will retain 100% of business rates collected. The system of top ups and tariffs redistributing revenues between local authorities will be retained. The uniform rate will be abolished; allowing local areas to cut business rates if they choose to do so in order to win new jobs and generate wealth.
- ▶ Police and schools funding will be protected in line with inflation.

Read more at:

<https://www.gov.uk/government/topical-events/autumn-statement-and-spending-review-2015>

The Government has also consulted on the 2016-17 settlement. Further details available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/486730/Provisional_settlement_consultation_document.pdf.

Consultation: New Homes Bonus

In 2011 the New Homes Bonus was introduced to incentivise local authorities to encourage housing growth in their areas. Since 2011, £3.4bn has been allocated to support the delivery of 700,000 new homes and the return of 100,000 long term empty homes to use.

The Department for Communities and Local Government (DCLG) has released a consultation which seeks views on potential changes to the New Homes Bonus. The changes are intended to “better reflect authorities’ delivery of new housing”. Other proposed changes include introducing a reduction to the number of years in which current and future payments are made, from six years to four years.

See full details of the consultation as well as methods for responding at:

<https://www.gov.uk/government/consultations/new-homes-bonus-sharpening-the-incentive-technical-consultation>

The deadline for response is 10th March 2016.



Government and economic news

Local Authority Revenue Expenditure and Financing

During November 2015, statistics for 2014-15 on revenue expenditure and financing with local government were released by the Department for Communities and Local Government.

Some highlights include:

Total revenue expenditure by local authorities in England reduced by 0.5% in 2014-15, from £96.4bn in 2013-14 to £95.9bn, however, excluding spend on Education (30.7% of total net current expenditure) there was an increase of 1.5% from £60.5bn in 2013-14 to £61.5bn.

Net current expenditure on education saw the largest decrease, which was largely driven by schools achieving academy status and therefore receiving central expenditure, and by the reclassification of some services to Children and Families Social Care services (which saw a £1.2bn increase for this reason).

Local Authorities added £0.9bn to reserves in 2014-15 as compared to £2.4bn in 2013-14. This takes total reserves to £22.5bn and means that the last 15 years has seen a significant increase in the amount held by local authorities in non-ringfenced reserves. Communities Secretary Greg Clark has noted this increase and said:

“With local government accounting for a quarter of all public spending, it is right that they are called on to play their part in dealing with the deficit.

Today’s figures show how they are well placed to do so, with local authorities holding £22.5bn held in non-ringfenced reserves – up 170% in real terms over the last 15 years.

As we continue to secure our country’s economic future and cut the deficit, now is the time to make efficient use of their assets and resources to provide the services local people want to see.”

Public Finance has published an article available at <http://www.publicfinance.co.uk/news/2015/11/mounting-reserves-leave-councils-well-placed-make-cuts-says-clark>, and the full publication is available at <https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-in-england-2014-to-2015-final-outturn>

Response to flooding

The Bellwin scheme, which compensates eligible authorities for exceptional costs incurred in incidents like flooding, has been opened for councils affected by floods resulting from storms Desmond and Eva.

Authorities are eligible for costs under the scheme when they have spent more than 0.2% of their calculated annual revenue budgets on works.



Government and economic news

Bellwin allows eligible authorities to apply to have 100% of their costs above threshold reimbursed by the government.

Eligible authorities include:

- ▶ Councils
- ▶ Policing bodies
- ▶ Fire and rescue authorities
- ▶ National Park authorities

For more information see <https://www.gov.uk/government/news/north-west-england-floods-2015-government-response>.

Council Tax support

A review into the effectiveness of Council Tax support schemes across the country has been initiated, led by Member of Parliament, Eric Ollerenshaw, OBE.

Council Tax Benefit was reformed from 2013-14 to give councils the power to design their own schemes and align them to local needs. This review is intended to examine the implementation of this change and to consider whether or not this support should be part of the Universal Credit payments in the future.

Further details of the review are available at:

<https://www.gov.uk/government/news/launch-of-review-into-council-tax-support>.

Public sector exit payment recovery regulations

The government is consulting on draft regulations that will give effect to the powers enacted in the Small Business, Enterprise and Employment Act 2015. These regulations allow for the recovery of exit payments following the return of a high earner to the public sector within a year of their initial departure.

Changes made to the policy since the previous consultation include:

- ▶ The minimum earnings threshold for individuals subject to the recovery provisions has been lowered from £100,000 to £80,000
- ▶ The policy has been extended to include qualifying returns to any part of the public sector, rather than only to the same part of the public sector
- ▶ Introduction of a tapered recovery period for 12 months from the exit date
- ▶ Recovery will now include employer funded pension 'top up' payments made under the Local Government Pension Scheme.

Public sector organisations that are in scope and those that are proposed to be exempt are included in the draft regulations.

Following this consultation, the regulations will go through Parliamentary scrutiny, and the intention is that the policy will take effect from April 2016.

Read more at <https://www.gov.uk/government/news/government-calls-time-on-public-sector-parachute-payments-for-boomerang-bosses>.



Accounting, auditing and governance

Faster Close update

Since our think piece 'accelerating your financial close arrangements' in the summer – we have worked together with our clients to successfully deliver another round of financial statements audits.

We have seen again a number of our clients achieve the earlier 31 July deadline – three years ahead of schedule. Nationally, 5% of opinions were issued by 31 July for 2014-15.

At other clients, we have seen a shortening of the actual audit window as both preparers and auditors refine the operational timetable in readiness for 2017-18 audits.

The think piece set out some areas where preparers can hone their closedown plans and work with their auditors in the run up to the revised timetable. Discussions with clients around the country are showing encouraging signs that finance teams are already grasping the issue and working on solutions to enable them to prepare and submit draft financial statements and supporting working papers to the auditor by 31 May. Twenty-one percent of our clients have committed to this earlier target for the 2015-16 audits.

On our side, as a firm, we are reviewing how we can streamline our audit approach, to provide maximum ability to undertake early substantive testing across a Month 8-10 window, thereby reducing some pressure in the key June – July audit window. This may not work in all cases, because of the budget setting process, so other ways of streamlining the audit approach are also being developed.

In addition, we are addressing the resourcing challenge that this presents to audit firms, with a significant recruitment campaign to enable us to continue to deliver exceptional client service across the entire sector. This will require us to phase our audits, at both an interim and final audit stage to allow us greater flexibility in resource deployment and audit clients should be prepared to have bigger audit teams on site for shorter periods of time, as running all audits concurrently is not likely to be possible.

A key issue arising from our recent discussions is dealing with the governance processes at councils for receiving the auditor's report and approving the accounts. There are a wide range of approval processes in place at councils as a result of custom and practice over the years, and some are more streamlined than others.

Councils will need to review their governance processes for approving the accounts with a view to making it as simple as possible to ensure the maximum amount of the nine week window for audit can be used for audit procedures. Under the Account and Audit Regulations 2015, it is only the responsibility of the committee 'charged with governance' to approve the financial statements ahead of final certification by the s151 officer. Adding additional layers of approval through to Cabinet or Full Council slows down the governance process and potentially adds to the audit burden.

For 2014-15 audits, 8% of our clients had Audit Committee meetings scheduled before September for approval of the financial statements. For 2015-16, in several instances Audit Committee timetables have not yet been finalised, however, currently 7% of our client base has already confirmed that their Audit Committee timetable would enable accounts authorisation before September, with 4% scheduled before 31 July 2016.



Accounting, auditing and governance

An effective Audit Committee is one which can appropriately scrutinise the financial statements and the auditor's results report prepared under International Standard on Auditing (UK&I) 260, and challenge officers about accounting policies and estimates in order to be able to approve the financial statements on behalf of the council.

Given the lead time for amending corporate governance processes, officers should review the approval arrangements, and schemes of delegation from Full Council, ensuring that the Audit Committee operates as effectively as possible and to the remit as set out by CIPFA in its guidance 'Audit Committees: Practical Guidance for Local Authorities and Police (2013 edition)'.

We are encouraged by the response of our clients to this challenge and the acceptance that it is a joint responsibility to achieve the faster close, and we will continue to work with you as we both prepare for the advanced deadlines.

For further information, please speak to a member of your engagement team.

Value for Money guidance

The Local Audit & Accountability Act 2014 Section 20(1) requires that: 'In auditing the accounts of a relevant authority other than a health service body, a local auditor must, by examination of the accounts and otherwise, be satisfied ... (c) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

The Act is implemented through the National Audit Office's 2015 Audit Code of Practice (the Code), which sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act.

Paragraph 3.14 sets out that 'the auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report as appropriate to audited bodies other than health service bodies, providing a conclusion that in all significant respects, the audited body has (or has not) put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period'.

To support the Code, the NAO issues guidance to auditors. This is undertaken by preparing and publishing Auditor Guidance Notes (AGNs) which are publically available on its website. See <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

AGN 03 – Auditors' work on Value for Money Arrangements was published in November 2015 following a consultation period. It confirms the requirement is for auditors to issue a conclusion in respect of the single overall criterion that:

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

To assist auditors the NAO provide three sub-criteria that are intended to guide auditors in reaching their overall judgement:

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

However, these are not separate and auditors are not required to reach a judgement against each one.

Underpinning these sub-criteria are the proper arrangements,



Accounting, auditing and governance

which are aligned to the scope of arrangements that are already required to be put in place and reported on through documents such as the annual governance statement.

Auditors are required to undertake a risk assessment to identify any significant risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.

The Code defines 'significant' as follows: **"a matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects."**

Where such a significant risk is identified, further audit work will be undertaken based on the auditor's professional judgement. If the auditor does not identify any significant risks, there is no requirement to carry out further work.

Full information on all of the above can be found within AGN 03. See <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

New arrangements for the exercise of public rights

The Accounts and Audit Regulations 2015 (the Regulations) set out new arrangements for the exercise of public rights from 2015-16 onwards. In respect of principal bodies, paragraph 9(1) requires the responsible financial officer to commence the period for the exercise of public rights and to notify the local auditor of the date on which that period was commenced. This is a change to previous arrangements where the local auditor notified the audited body of the appointed date on or after which local government electors could exercise their rights.

Paragraph 9(2) is clear that the final approval of the statement of accounts by the authority prior to publication cannot take place until after the conclusion of the period for the exercise of public rights. For 2015-16, the thirty working day period for the exercise of public rights must include the first ten working days of July, this means that authorities will not be able to approve their audited accounts or publish before 15 July 2016.

Paragraph 14(1) states that any rights of objection, inspection and questioning of the local auditor conferred by sections 26 and 27 of the Act may only be exercised within a single period of 30 working days. In effect this paragraph brings the period in which an elector can question the auditor into the inspection period, rather than immediately following the inspection period as per the previous regulations. As a result of this, auditors are unable to issue their audit reports until the 30 day period has been concluded.

Read the regulations in full at <http://www.legislation.gov.uk/uksi/2015/234/regulation/2/made>.

Consultation: HRA accounting

The Department for Communities and Local Government is consulting on directions to replace the Housing Revenue Account (Accounting Practices) Directions 2011, which will cease to have effect in relation to Housing Revenue Accounts of local housing authorities in England from 1 April 2016. DCLG describes the replacement directions as essentially technical changes in order to bring the accounting requirements in line with proper practices under international accounting standards. They specify information to be disclosed in the notes to the HRA.

See full details of the draft direction at:

<https://www.gov.uk/government/consultations/housing-revenue-account-accounting-practices-directions-2015>



Regulation news

Report on the results of auditors' work 2014-15

Public Sector Audit Appointments (PSAA) have published their first report showing the results of auditors' work for 2014-15 covering 509 principal bodies and 9,755 small bodies.

The report includes information on timeliness of reporting, as well as the outcomes of those reports.

- ▶ Auditors were able to issue an early opinion (by 31st July 2015) for 5% of principal bodies.
- ▶ The auditor was unable to issue an opinion by the statutory deadline of 30th September at 15 bodies (3%), compared to 2% in 2013-14.
- ▶ Consistent with 2013-14, no non-standard opinions were issued.
- ▶ 20 non-standard value for money opinions were issued, including 1 adverse conclusion, 18 except-for conclusions, and one report on matters arising.
- ▶ Ten value for money conclusions were outstanding at the time of publishing the report.

Read the report in full at:

<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>



Key questions for the audit committee

What questions should the Audit Committee ask itself?

Have we considered our responses to the key government consultations that affect us, including New Homes Bonus and HRA Accounting Directions?

Have we formulated a response to support the review of Local Council Tax Support Schemes? How effective have our council tax support arrangements been since 2013-14?

Are we monitoring our progress against the revised timetable for closing the accounts from 2017-18 onwards?

Have we considered amending governance arrangements to streamline the approval of the financial statements?



Find out more

Ey Item Club Summer 2015 forecast

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Local Government Devolution

Read the government announcements in full at <https://www.gov.uk/government/news/historic-devolution-deal-to-power-the-midlands-engine> and <https://www.gov.uk/government/news/liverpool-devolution-deal-boosts-the-northern-powerhouse>.

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Council Tax Support

Further details of the review are available at:

<https://www.gov.uk/government/news/launch-of-review-into-council-tax-support>.

Public Sector Exit Payment Recovery Regulations

Read more at <https://www.gov.uk/government/news/government-calls-time-on-public-sector-parachute-payments-for-boomerang-bosses>

Faster Close update

The original publication 'accelerating your financial close arrangements' can be accessed at [http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf)

For more information, please contact a member of your engagement team.

Value for Money guidance

Full information on the new guidance can be found within AGN 03. See <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

New arrangements for the exercise of public rights

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Report on the results of auditors' work 2014-15

Read the report in full at:

<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>

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Subject:	Internal Audit and Corporate Fraud – strategy and plan 2016/17		
Date of Meeting:	8 March 2016		
Report of:	Acting Director, Finance & Resources		
Contact Officer:	Name:	Graham Liddell	Tel: 29-1323
	Email:	Graham.Liddell@brighton-hove.gov.uk	
Ward(s) affected:	All		

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

- 1.1 The Audit and Standards Committee is asked to agree the attached strategy and plan for Internal Audit and Corporate Fraud.

2. RECOMMENDATIONS:

- 2.1 That the Audit and Standards Committee approves the Internal Audit and Corporate Fraud: strategy and plan 2016/17.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Regulation 5 of The Accounts and Audit Regulations 2015 requires the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes.'

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The council is facing significant challenges to deliver financial savings and to modernise the way services are delivered, including greater partnership working. During this period of change Internal Audit and Corporate Fraud play a key role in promoting a strong control environment so that the council, the council's partners and the citizens of Brighton & Hove can have confidence in the council's arrangements.
- 4.2 Internal Audit and Corporate Fraud are not immune from the council's financial challenges and we will need to deliver a significant reduction in our own budget over the next four years. We plan to meet our budgetary challenges and continue to deliver a high quality internal audit and corporate fraud service by:
- ensuring that audit and corporate work is focused on the council's key risks. This is based on our cumulative knowledge and experience at Brighton & Hove, national comparative data and is informed by our review of the risk register and consultation with officers

- develop our use of audit and counter fraud techniques. This includes wider use of data matching and data analysis to identify and investigate unusual transactions. We also plan to carry out more high level reviews to assess how senior management gains assurance over strategic risks
- working with colleagues in East Sussex County Council and Surrey County Council to join the Orbis partnership. This will help us to achieve economies of scale, to reduce the impact of budget cuts on our audit plan, and will also provide the service with greater resilience.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The process of compiling the Internal Audit Strategy and Annual Plan has involved substantial consultations including with:
- members of ELT
 - other heads of service and senior management
 - staff within both Internal Audit and Corporate Fraud

6. CONCLUSION

- 6.1 The attached strategy and plan sets out proposals for maintaining an adequate and effective system of internal audit for 2016/17. The Audit and Standards Committee is recommended to approve it.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 It is expected that the 2016/17 strategy and plan for Internal Audit and Corporate Fraud 2016/17 will be delivered within the proposed budgetary resources.
- 7.2 The strategy and plan and action taken in line with recommendations from audits support the robustness and resilience of the councils practices and procedures and support the councils overall financial position.

Finance Officer Consulted: James Hengeveld

Date: 22/02/16

Legal Implications:

- 7.3 This report sets out the council's plan for conforming with Regulation 5 of the Accounts and Audit Regulations 2015 which requires the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes.' It is within the delegated authority of the Audit and Standards Committee to approve the Strategy and Plan.

Lawyer Consulted: Elizabeth Culbert

Date: 24/02/16

Equalities Implications:

7.3 Not applicable.

Sustainability Implications:

7.4 Not applicable

Any Other Significant Implications:

7.5 None.

SUPPORTING DOCUMENTATION

Appendices:

1. Internal Audit and Corporate Fraud: strategy and plan 2016/17

Documents in Members' Rooms

1. None

Background Documents

1. None

Internal Audit

Internal Audit and Corporate Fraud: draft strategy and plan 2016-17

Graham Liddell, Head of Internal Audit

February 2016



**Brighton & Hove
City Council**

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1. Introduction and background

This document sets out the strategy and planned work for Internal Audit and Corporate Fraud for 2016/17.

Each local authority is required to maintain an adequate and effective system of internal audit. Internal Audit seeks to do this by providing:

- **assurance** (for example on the internal control environment to the Council's Chief Financial Officer and the Audit and Standards Committee)
- **recommending** improvements in controls
- **support** (for example, by providing advice on addressing risks to service managers)

The Corporate Fraud Team aims to **minimise the impact of fraud and corruption on the Council and its citizens.**

The council is facing significant challenges to deliver financial savings and to modernise the way services are delivered, including greater partnership working. During this period of change Internal Audit and Corporate Fraud play a key role in promoting a strong control environment so that the council, the council's partners and the citizens of Brighton & Hove can have confidence in the council's arrangements.

Internal Audit and Corporate Fraud are not immune from the council's financial challenges and we will need to deliver a significant reduction in our own budget over the next four years. We plan to meet our budgetary challenges and continue to deliver a high quality internal audit and corporate fraud service by:

- ensuring that audit and corporate work is focused on the council's key risks. This is based on our cumulative knowledge and experience at Brighton & Hove, national comparative data and is informed by our review of the risk register, our independent assessment of audit risk and consultation with officers
- develop our use of audit and counter fraud techniques. This includes wider use of data matching and data analysis to identify and investigate unusual transactions. We also plan to carry out more high level reviews to assess how senior management gains assurance over strategic risks
- working with colleagues in East Sussex County Council and Surrey County Council to join the Orbis partnership. This will help us to achieve economies of scale, to reduce the impact of budget cuts on our audit plan, and will also provide the service with greater resilience.

2. Key areas of work for 2016/17

Our key areas of work for 2016/17 are set out below

Area of activity	Plan
Governance arrangements	<ul style="list-style-type: none"> Review of key corporate governance processes and strategic risks Raising awareness and promotion of a strong control environment Investigation of whistleblowing and other referrals Review of declarations of interest
Procurement and contract management	<ul style="list-style-type: none"> Reviews of specific contracts Review of specific aspects of the councils approved procurement and contract management framework
Financial systems	<ul style="list-style-type: none"> Review of core financial systems Data matching and analysis to identify and investigate unusual transactions Review and sign off of grant claims
Projects	<ul style="list-style-type: none"> Reviews of specific projects (strategic, capital and service based)
ICT	<ul style="list-style-type: none"> Reviews of information governance arrangements Reviews of specific systems
Housing	<ul style="list-style-type: none"> Reviews of housing capital expenditure Review of specific housing systems and contracts Data matching and analysis to identify and investigate unusual transactions for right to buy and housing tenancy
Service reviews	<ul style="list-style-type: none"> Review of key risks and controls within individual services Data matching and analysis to identify and investigate unusual transactions
Implementation of audit recommendations	<ul style="list-style-type: none"> Follow up of limited assurance audits Monitoring of implementation of audit recommendations, corporate reporting and escalation

Internal Audit has 1115 days available for direct audit work from 6.4 full-time equivalent staff and our external partner (currently TIAA). Internal staff are a mixture of CCAB qualified accountants, members of the Chartered Institute of Internal Auditors and those with the AAT qualifications. TIAA mainly provides specialist IT support. Our detailed audit plan is set out in appendix A.

The Corporate Fraud Team has 475 days available for direct work on corporate fraud from 3.8 full time equivalent staff. Our detailed plan is set out in appendix B.

In addition we have allocated 430 days (including the head of internal audit and other management time) allocated to the following activities.

Activity	Days
Planning and general management	70
Audit & Standards Committee support	20
Corporate support and advice to services and projects	50
Service development (including Orbis)	110
Support to the DwP's single fraud investigation service	140
Audit of South Downs National Park Authority	40
Total	430

4. Internal Audit and Corporate Fraud Team standards

Internal Audit complies with the Public Sector Internal Audit Standards (2013). These are reflected in our Audit Charter which is approved by the Audit and Standards Committee (see Appendix B). The standard and quality of internal audit is principally scrutinised through the following:

- an annual review of the effectiveness of internal audit required by the Accounts & Audit Regulations 2015
- an independent external review of the service every 5 years
- external audit based on their review of our work in specific areas
- customer feedback requested for all completed pieces of work.

The Corporate Fraud team is required to comply with a range of legislative requirements including the Police and Criminal Evidence Act 1984 and the Criminal Procedures and Investigations Act 1996.

5. Performance Management

Our current performance measures and targets are shown at Appendix C. These cover the following aspects of our service:

- cost and quality of input
- productivity and process efficiency
- quality of output
- compliance with professional standards
- outcomes and degree of influence
- our staff.

We are currently reviewing these measures with our Orbis colleagues to develop a consistent set of performance measures for 2016/17. We will report any proposed changes to the Audit & Standards Committee.

Appendix A**Draft Internal Audit programme**

Audit Name	Plan Category	Days
Declarations of Interests, Gifts & Hospitality	Governance arrangements	12
Risk Management	Governance arrangements	15
Strategic risk - Developing an investment strategy to refurbish and develop the city's major asset of the seafront	Governance arrangements	15
Strategic risk - Keeping vulnerable adults safe from harm and abuse	Governance arrangements	15
Contract Letting & Renewal	Procurement and contract management	15
Contract Waivers	Procurement and contract management	10
Highways Maintenance	Procurement and contract management	15
Strategic construction Contract	Procurement and contract management	15
Bank Reconciliations	Financial systems	5
Budget Management	Financial systems	20
Business Rates	Financial systems	15
Business Rates - Fraud Detection controls	Financial systems	15
Council Tax	Financial systems	15
Creditors	Financial systems	20
Debtors	Financial systems	18
Financial Appraisals/ Vetting (follow-up)	Financial systems	5
Housing and Council Tax Benefits	Financial systems	20
Housing Rents	Financial systems	18
Main Accounting System	Financial systems	15
Payroll	Financial systems	20
Pensions Administration	Financial systems	12
School Funding Arrangements	Financial systems	15
Troubled Families - Grant Claim	Financial systems	4
VAT	Financial systems	15
Major Capital Projects	Projects	16
Modernising the Council	Projects	15
Orbis Implementation	Projects	12
Building and System Access Controls (Follow-up)	ICT	5
Cyber Security	ICT	10
Disposals	ICT	12
ICON application	ICT	10
IT Incident Management	ICT	10
IT Service Management	ICT	8
Mobile Device Management	ICT	10
Parking Service Systems	ICT	8
Housing - New Builds	Housing	15
Housing Allocations	Housing	20

Housing Repairs - Capital Works	Housing	20
Housing Repairs - Capital Programme	Housing	15
Housing Repairs - Responsive	Housing	30
Housing Temporary Accommodation	Housing	20
LDV (follow-up)	Housing	5
Right to Buy	Housing	20
Adolescent Services	Service Review	15
Agency Staff (Follow-up)	Service Review	5
Better Care Fund	Service Review	12
Business Continuity	Service Review	15
City Parks	Service Review	5
Commercial Property Management	Service Review	12
Deprivation of Liberty (Follow-up)	Service Review	12
Direct Payments	Service Review	12
Grants Payable and Trust Funds	Service Review	12
Home to School Transport	Service Review	10
Learning Disabilities	Service Review	20
On-Street and Off-Street Car Parking	Service Review	20
PCNs	Service Review	15
Property Disposal	Service Review	8
Public Health	Service Review	20
Residents Parking Permits	Service Review	12
Schools Audits	Service Review	60
Section 17 Payments	Service Review	15
Contingency for Unplanned Work (including c/f from 2015/16)	Contingency	200
Recommendation Tracking	Implementation	30
		1115

As far as possible we will seek to include any additional work required for new and emerging risks from our contingency budget. If we need to make changes to the detailed work programme we will take a revised work programme to the Committee for approval.

Appendix B

Draft corporate fraud team programme

Fraud area	Days
Review and update of fraud policies	10
Fraud awareness and publicity	40
Data matching	80
Investigating and pursuing fraud focused on high priority areas: <ul style="list-style-type: none"> • Procurement • Housing Tenancy and Right to Buy • Car parking income • Council Tax • Business rates • Direct Payments • No recourse to public funds • Abuse of position • Cyber fraud 	345
Total days	475

A significant proportion of corporate fraud work depends on issues arising during the course of the year. This means that this draft programme is subject to change. We will keep the Audit & Standards Committee updated as to progress during the course of the year.

Appendix C

Internal Audit Charter

Introduction

This Charter defines for the Council, the purpose, authority and responsibility of the Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards.

The Charter will be approved annually by the Audit & Standards Committee, after consultation with the Executive Leadership Team (ELT).

Internal Audit Purpose

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Internal Audit supports the whole Council to deliver economic, efficient and effective services and achieve the Council's vision, priorities and values.

In a local authority internal audit provides independent and objective assurance to the organisation, its Members, the ELT and in particular to the Chief Financial Officer (the Executive Director, Finance & Resources) to help discharge his/her responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

In addition, the Accounts and Audit Regulations (2015) specifically require the provision of an internal audit service. In line with regulations, Internal Audit provides independent assurance on the adequacy of the Council's governance, risk management and internal control systems.

Authority

The Head of Internal Audit is the Council's Chief Audit Executive as defined in the Public Sector Internal Audit Standards 2013

The Head of Internal Audit is line managed by the Council's Chief Financial Officer but has unrestricted access to the Chief Executive, all members of the ELT, Corporate Management Team and Chair of the Audit & Standards Committee.

Internal Audit has unrestricted access to all Council and partner records and information, cash, stores and other Council property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter Council property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the Council should be set out in the conditions of funding.

The Internal Audit function will consider all requests from the External Auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, which External Audit would need to discharge their responsibilities.

Internal Audit Responsibility

The Council's Head of Internal Audit is required to provide an annual opinion to the Council and to the Chief Financial Officer, through the Audit & Standards Committee, on the adequacy and the effectiveness of the internal control system for the whole Council. In order to achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources
- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- To provide assurance that significant risks to the Council's objectives are being managed. This is achieved by annually assessing the adequacy and effectiveness of the risk management process.
- To provide responsive, challenging and informative advice and support to management on risk management, controls and governance to management.
- To provide clear and concise internal audit reports to support management in implementing agreed actions to improve services and risk management, control and governance processes.
- To investigate all cases of suspected financial irregularity, fraud or corruption in accordance with agreed procedures.
- To promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud.

Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal Audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of audit work and to ensure the authenticity of these documents.

Where appropriate, Internal Audit will undertake audit or consulting work for the benefit of the Council in organisations wholly owned by the Council, such as Local Authority Trading Companies. Internal Audit may also provide assurance to the Council on third party operations (such as delivered by contractors and partners) where this has been provided for as part of the contract.

Internal Audit Reporting

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Strategy and Annual Internal Audit Plan that includes the Audit Charter are reported annually to the ELT and the Audit & Standards Committee. These are approved by the Audit & Standards Committee.
- The Annual Internal Audit Plan is compiled by the Head of Internal Audit taking account of the Council's risk framework and after input from members of the ELT and Corporate Management Team.
- The Internal Audit budget is reported to the Policy & Resources Committee and Full Council for approval annually as part of the overall Council budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the Audit & Standards Committee. The approach to providing resource is set out in the Internal Audit Strategy.
- Performance against the Annual Internal Audit Plan and any significant risk exposures and control issues arising from audit work are reported to the ELT and Audit & Standards Committee on a regular basis throughout the year
- Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit & Standards Committee.
- Results from the quality assurance and improvement programme will be reported to both ELT and Audit & Standards Committee.
- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to the ELT and Audit & Standards Committee and will be included in the Head of Internal Audit's Annual Internal Audit Report and Opinion. If there is significant non-conformance this may be included in the Council's Annual Governance Statement.

Internal Audit Independence

The independence of the Head of Internal Audit is further safeguarded by ensuring that his annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of the Audit & Standards Committee contribute to, and/or review the appraisal of the Head of Internal Audit.

All Internal Audit staff are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit & Standards Committee. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.

Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics
- Seven Principles of Public Life (Nolan Principles)
- Public Sector Internal Audit Standards 2013
- All Council Policies and Procedures
- Other relevant legislation

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards 2013, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. The Head of Internal Audit is required to hold a professional qualification (CCAB or CMIIA) and be suitably experienced.

Appendix D**Service Performance Targets 2016/17**

Aspect of Service	Performance Indicators	Target
Cost and Quality of Input	<ul style="list-style-type: none"> • Service costs 	<ul style="list-style-type: none"> • Within budget
Productivity and Process Efficiency*	<ul style="list-style-type: none"> • Achievement of planned audits by 30 April 2015 • Issue of draft report after completion of fieldwork • Issue of final report after agreement with client of draft 	<ul style="list-style-type: none"> • 95% • Within 10 Days • Within 10 Days
Quality of Output	<ul style="list-style-type: none"> • Satisfaction levels • External audit reliance on work of internal audit 	<ul style="list-style-type: none"> • 90% satisfied • Reliance placed
Compliance with Professional Standards	<ul style="list-style-type: none"> • Public Sector Internal Audit Standards • Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act 	<ul style="list-style-type: none"> • 100% compliant • 100% compliant
Outcomes and degree of influence	<ul style="list-style-type: none"> • Implementation of agreed management action to recommendations made 	<ul style="list-style-type: none"> • 95% for high priority, 85% for medium priority
Our Staff	<ul style="list-style-type: none"> • Professionally Qualified/Accredited and undertaking CPD • Annual Training & Development Received (Minimum) 	<ul style="list-style-type: none"> • 80% • 5 Days

Note: We are currently reviewing these measures with our Orbis colleagues to develop a consistent set of performance measures for 2016/17. We will report any proposed changes to the Audit & Standards Committee.

Subject:	Progress on due diligence implications for audit and corporate fraud joining Orbis		
Date of Meeting:	8 March 2016		
Report of:	Acting Director of Finance and Resources		
Contact Officer:	Name:	Graham Liddell	Tel: 29-1323
	Email:	Graham.Liddell@brighton-hove.gov.uk	
Ward(s) affected:	All		

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

- 1.1 This report sets out the progress made in carrying out due diligence for assessing the effectiveness of internal audit at Brighton & Hove City Council provided through Orbis.

2. RECOMMENDATIONS:

- 2.1 That the Committee notes the progress made in carrying out due diligence for internal audit joining Orbis.
- 2.2 That the Committee notes its wider role in considering the arrangements for due diligence for wider support functions joining Orbis.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 At the Policy & Resources Committee on Thursday 3 December it was agreed that a number of the council's support functions, including internal audit and corporate fraud, will join the Orbis partnership. Orbis is a newly created partnership with East Sussex County Council and Surrey County Council which provides support functions to councils.
- 3.2 Following agreement at the Policy & Resources Committee, the council started a period of due diligence, which is the process where we work out the detail of the how the partnership will work in practice. At the Audit & Standards Committee on 12 January 2016, members of the committee asked the Head of Internal Audit to report on the progress on the due diligence for assessing the effectiveness of internal audit delivered through Orbis.
- 3.3 A progress report for the wider Orbis project will be taken to the Policy and Resources Committee in April 2016.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The Audit & Standards Committee has specific responsibility in respect of the effectiveness of Internal Audit. Appendix 1 sets out the progress made in

assessing the implications for Internal Audit joining Orbis. This concludes that the work carried out indicates that an effective internal audit function can be delivered through Orbis. A further update will be reported to the June Audit & Standards Committee.

- 4.2 The Audit & Standards Committee also has a role in considering the arrangements for due diligence for the wider Orbis project and this will also be reported to the June committee meeting.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 None

6. CONCLUSION

- 6.1 An effective internal audit function can be delivered through Orbis. Further due diligence work is required and this will be reported to the June Audit & Standards Committee.
- 6.2 The Audit & Standards Committee also has a role in considering the arrangements for due diligence for the wider Orbis project and this will also be reported to the June committee meeting.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 There are no direct financial implications arising from this report. Appendix 1 sets out the potential impact of delivering 28% savings through the Orbis route.

Finance Officer Consulted: James Hengeveld

Date: 23/02/16

Legal Implications:

- 7.2 There are no legal implications to note at this stage in relation to this report for noting.

Lawyer Consulted: Elizabeth Culbert

Date: 24/02/16

Equalities Implications:

- 7.3 Not applicable.

Sustainability Implications:

- 7.4 Not applicable.

Any Other Significant Implications:

- 7.5 None

SUPPORTING DOCUMENTATION

Appendices:

1. Due Diligence Review

Documents in Members' Rooms

1. None

Background Documents

1. None

Appendix 1 - Internal audit due diligence

This appendix considers the progress made in assessing whether an internal audit function delivered through Orbis would provide the council with an effective internal audit function. Please note that this analysis is based on issues raised by members of the Audit & Standards Committee and will need to be considered as part of the due diligence for the wider council's support functions joining Orbis.

Key issues	Assessment as at 12 February 2016	Does the initial analysis indicate that Orbis can provide BHCC with an effective IA function?	Rationale	Further work required
<p>How will the chief finance officer and the Audit & Standards Committee be able to discharge their responsibilities for ensuring that BHCC has an effective internal audit (IA) that complies with proper practice? Includes:</p> <ul style="list-style-type: none"> - appointment and removal of head of IA - influence over the plan - receiving reports and updates - dealing with under-performance 	<p>Orbis is founded on principle of partner sovereignty so that whilst the delivery and management of services is managed within the Orbis Joint Committee, overall ownership and accountability is retained by individual partners.</p> <p>Orbis has established a "target operating model" which expects each service to have a "locality manager" for each partner reporting to a single overall head of service. For IA the locality manager is expected to be the council's head of IA who would be accountable to the s151 officer and the BHCC Audit & Standards Committee for ensuring an effective IA service that complies with proper</p>	<p>Yes</p>	<p>The Orbis principle of sovereignty and the target operating model lends itself to providing a service for which the chief finance officer and Audit & Standards Committee retains its responsibilities for an effective IA function that complies with proper practice.</p>	<p>As part of the development of the IA target operating model, complete a comparison of the proposed arrangements with proper practice for IA (published by CIPFA).</p>

	<p>practice.</p> <p>There may be some issues to address on, for example, the appointment and dismissal of the Head of IA where there may be a tension between the responsibilities of management (exercised through Orbis) and the responsibilities of the Audit & Standards Committee (as envisaged by proper practice). However, these tensions are also reflected in the current (in-house) provision of IA.</p>			
<p>How will the council be assured that there are sufficient efficiency reductions to ensure that IA can deliver sufficient work at BHCC within budget? Includes consideration of:</p> <ul style="list-style-type: none"> - Structure - Pay differentials - Efficiency/growth savings - Expected budget savings of 28% over four years - Additional travel costs 	<p>Our initial analysis of expected costs and third party income indicates that we would expect to achieve an 8% net efficiency saving without impacting on audit days. This would mean that a 28% reduction in budget would result in a reduction in audit days of only 20% (ie from 1400 days to 1100 days). This is a smaller reduction than would be achieved through reducing budgets using other models (eg retain in-house or outsource) and, in the opinion of the Head of IA, is sufficient to deliver an effective IA function at BHCC.</p> <p>The initial review is based on assumptions about:</p> <ul style="list-style-type: none"> - the management structure for IA - the charging mechanism for 	Yes	Our initial analysis indicates that Orbis provides the best opportunity to mitigate the impact of budget reductions.	Update the initial analysis of expected costs and third party income as part of the development of the target operating model to ensure that Orbis is capable of delivering expected efficiencies.

	<p>allocating costs to member authorities</p> <ul style="list-style-type: none"> - estimates for additional income and efficiency savings - estimates for additional non-pay costs arising from working in partnership (including travel). <p>Monitoring of the efficiencies would be reported to and managed by the joint committee rather than the s151 officer or the Audit & Standards Committee.</p> <p>The s151 officer would retain responsibility for ensuring an effective IA function and in consultation with the head of internal audit would be responsible for commissioning and resourcing additional audit days if these were required.</p> <p>The Audit & Standards Committee would retain responsibility for approving and monitoring the audit plan and if it considered that an increase in the budget were needed to enable IA to deliver additional audit days it could make a recommendation to the Policy & Resources Committee to do so.</p>			
How will the council be assured	The Head of IA is taking the lead on	Yes	Arrangements have been	Consider the learning from

<p>that the audit team will continue to be focussed on the needs of BHCC during the transition?</p>	<p>transition for audit and is supported by:</p> <ul style="list-style-type: none"> - an Orbis programme manager (to reduce the burden of transition work) - an experienced Audit Manager (to support the Head of Internal Audit in delivering an effective IA to BHCC). <p>The due diligence arrangements for the Orbis project as a whole will consider the wider transitional arrangements.</p>		<p>put in place to support the transition.</p>	<p>the wider Orbis project and continue to monitor.</p>
<p>How will the council be able to ensure that the anticipated qualitative benefits of Orbis are realised?</p>	<p>Based on discussions within the BHCC audit team and with the teams from East Sussex County Council and Surrey County Council, the following potential qualitative benefits for BHCC have been identified anticipated:</p> <ul style="list-style-type: none"> • BHCC auditors with broader range of wider knowledge and experience • wider use of best practice and specialist insights to BHCC internal audit • increased resilience of the audit resource available to deliver BHCC audit work 	<p>Yes</p>	<p>Initial work suggests that there is a significant scope for qualitative benefits.</p>	<p>Development and implementation of a detailed project plan.</p>

	<ul style="list-style-type: none"> increased ability for BHCC (with Orbis partners) to retain and recruit high quality audit staff <p>Early liaison between the teams has already identified some gains, for example the sharing of issues and how to audit specific risk areas.</p>			
How will the council ensure that BHCC has sufficient influence in the development of Orbis IA?	<p>The Heads of Internal Audit from BHCC, ESCC and Surrey are working effectively together to develop a joint management project plan.</p> <p>The due diligence arrangements for the Orbis project as a whole will consider the influence of BHCC.</p>	Yes	To date the Head of Internal Audit has had a significant influence in the development of Orbis IA.	Consider the learning from the wider Orbis project and continue to monitor.
How would the council be able to withdraw from Orbis IA if alternative delivery vehicles would better meet the needs of BHCC?	This will be addressed as part of the wider Orbis project.	tbc		
How will the council ensure that employment issues will be properly considered?	This will be addressed as part of the wider Orbis project.	tbc		

Subject:	Internal Audit and Corporate Fraud Progress Report		
Date of Meeting:	8 March 2016		
Report of:	Acting Executive Director of Finance & Resources		
Contact Officer:	Name:	Graham Liddell	Tel: 29-1323
	Email:	Graham.Liddell@brighton-hove.gov.uk	
Ward(s) affected:	All		

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

- 1.1 This report summarises the progress made against the Internal Audit and Corporate Fraud Plan 2015/16. It summarises the key issues identified by Internal Audit and the Corporate Fraud Team and the progress made by management in implementing audit recommendations.

2. RECOMMENDATIONS

- 2.1 That the Audit and Standards Committee note:
- progress made on the audit plan for 2015/16
 - progress made against recommendations
 - continued success in tackling fraud and corruption

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The Audit and Standards Committee approved the Internal Audit and Corporate Fraud Plan on 10 March 2015 which was updated on on 23 June 2015 and 17 November 2015 to respond to new and emerging risks and reduced resources.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**Audit reports issued**

- 4.1 Internal audit has issued 54 reports representing 71% of the audit plan. The service intends to deliver 90% of the 2015/16 audit plan at the year-end.
- 4.2 Since the Audit & Standards Committee in January 2015 three reports have been finalised where we have given limited assurance. These were;
- Agency Staff
 - Housing Local Delivery Vehicle
 - On and Off Street Parking.

- 4.3 The report on Agency Staff found a significant control weakness in the authorisation process and weaknesses with a key IT access control. These control problems were rectified during the audit and additional testing conducted to confirm that the controls are now operating as expected.
- 4.4 The audit of the council's Housing Delivery Vehicle (Brighton and Hove Community Seaside Homes) identified that there are still some important issues regarding the split of costs between the two organisations that have not yet been resolved. There is also an ongoing requirement for costs and income to be closely monitored.
- 4.5 The review of On and Off Street Parking concluded that despite improvements we remain concerned that the three different council teams involved in the key income reconciliation processes still do not effectively share relevant information. In addition improvements to the communication with the cash collection contractor are required and improvements are required to ensure parking machine faults are effectively monitored and promptly dealt with.

Progress made in implementing recommendations

- 4.6 We have received confirmation that 82% of recommendations due to be implemented by 31 January 2016 had been implemented (see table 2). This compares to 84% reported in January 2016. This reduction in the implementation rate is because there were a significant number of audit recommendations which were due to be implemented at either 31 December or 31 January.

Table 2 – implementation of audit recommendations

Priority	Audit Recs due by 31 January 2016 (includes c/f 2014/15)	Database not updated by managers	Not implemented (or less than 50% implemented)	Implemented (includes part implemented > 50%)	Implemented (%)
High	45	0	3	42	93
Medium	295	36	22	237	80
All	340	36	25	279	82

- 4.7 There are three high priority recommendations that had not been implemented and are overdue. These are set out below in table 3.

Table 3 – high priority recommendations not implemented

Recommendation	Directorate	Due date	Progress as at 31 January 2016
Cyber Security - Management should ensure that the current Network Access Protection and Network Access Controls (NAP-NAC) initiative tasks (see appendix D) being rolled out by ICT to help prevent unauthorised devices from accessing the network is adequately prioritised, resourced and monitored for achievement and ongoing trend analysis of NAP NAC incidents by the Cyber Security governance stakeholders.	F&R (ICT)	31 December 2014	Full implementation is part of a three year plan. In the meantime mitigating factors have been put in place.

Council Tax - Reviews of expired class N (student) exemptions should take place in the year of expiration. The backlog of accounts requiring a review where a Class N exemption is in place which has expired should be cleared.	F&R	31 December 2015	Two 150 sample reviews of expired N class for exemptions have been scheduled for March and April. The backlog is being addressed and should be up to date by the end of February.
Pensions Service - Processes to ensure the relevant pension fund is informed of pension fund members leaving the authority in a timely manner should be introduced.	F&R	31 December 2015	To be included in review of processes for using Pensionsweb. Backlog of leavers currently being cleared.

There are 58 medium priority recommendations that have not been implemented and/or the corporate tracking record has not been updated. Of these there are 9 audit reports where there are two or more overdue recommendations. These are detailed in table 4 below.

Table 4 – Reports with two or more overdue recommendations

Report Title	No of overdue recommendations
Blue Badges	2
Direct Payments	3
Grants to Third Sector Organisations	3
Penalty Charge Notices	2
Pensions Administration	2
Pier – Management of Data*	2
Social Media	2
Street Cleansing	2
Write-offs	6

*NB. Request for deadline to be extended has been received

4.8 We are continuing to work with ELT and other senior managers to ensure that all managers understand the importance of implementing audit recommendations, or if it is not practicable to do so to ensure that action is taken to address the underlying risk. For 2016/17 each directorate management team will include performance information on the implementation of audit recommendations as part of the council's performance management system. The Audit & Standards Committee will also have the opportunity to question executive directors about how the progress they are making in responding to audit reports.

Corporate Fraud

4.9 During 2015/16 the Corporate Fraud Team has worked with colleagues across the council in three main areas:

- **Promoting a strong anti-fraud and corruption culture.** This has included:
 - the fraud e-learning awareness programme which has currently been completed by 868 members of staff
 - alerting staff to new and emerging fraud threats, including email fraud which has to the formation of a cyber intelligence hub

- working with colleagues in housing to prevent and identify housing tenancy fraud including delivering briefings to housing customer services staff and employees at Mears Ltd and PH Jones.
- **Preventing and detecting fraud and corruption.**
 - £127,133 overpayments recovered as part of the National Fraud Initiative
 - 23 Blue Badges cancelled as part of the National Fraud Initiative, 76 Blue Badges were retained as part of the joint exercise with East Sussex and 31 blue badges were handed in during a blue badge fraud amnesty. There have been 35 prosecutions and 49 community resolutions.
- **Investigating and pursuing fraud and corruption.** Following investigations by the corporate fraud team, the council has:
 - saved £80,000 in planned adaptation costs as it was found that an individual had misrepresented their circumstances
 - recovered 21 council dwellings and successfully prosecuted two individuals for subletting their council properties
 - removed council tax discounts of £9,772
 - cancelled four residents parking permits because permit holders did not reside at the relevant address
 - effected the removal seven employees either through resignation or dismissal.

4.10 During 2016 the Corporate Fraud Manager is planning to develop new initiatives on other key fraud threats including procurement and payments made to individuals as “no recourse to public funds” grants.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 None

6. CONCLUSION

- 6.1 The Committee is asked to note:
- progress made on the audit plan for 2015/16
 - progress made against recommendations
 - continued success in tackling fraud and corruption.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 It is expected that the Internal Audit and Corporate Fraud Plan 2015/16 will be delivered within existing budgetary resources. Progress against the plan and action taken in line with recommendations support the robustness and resilience of the council's practices and procedures in support of the council's overall financial position.

Finance Officer Consulted: James Hengeveld

Date:22/02/2016

Legal Implications:

- 7.2 The Accounts and Audit Regulations 2015 require the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards'. It is a legitimate part of the Audit and Standards Committee's role to review the level of work completed and planned by internal audit.

Lawyer Consulted: Elizabeth Culbert

Date:24/02/16

Equalities Implications:

- 7.3 There are no direct equalities implications.

Sustainability Implications:

- 7.4 There are no direct sustainability implications.

Any Other Significant Implications:

- 7.5 None.

SUPPORTING DOCUMENTATION

Appendices:

1. None

Documents in Members' Rooms

1. None

Background Documents

1. None

Subject:	Standards Update		
Date of Meeting:	8 March 2016		
Report of:	Head of Law and Monitoring Officer		
Contact Officer:	Name:	Abraham Ghebre-Ghiorghis	Tel: 291500
	Email:	Abraham.ghebre-ghiorghis@brighton-hove.gov.uk	
Ward(s) affected:	All		

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

- 1.1 This report updates Members on Standards-related issues/activities since the last report.

2. RECOMMENDATIONS:

- 2.1 That Members note the report.

3. Member-related Complaints

- 3.1 Since the last report to the Committee, there has been just one new standards complaint received in. This relates to postings allegedly made by a Member on a social media forum open to the public during an exchange with a fellow member. At time of writing, the Monitoring Officer is in consultation with one of the Independent Persons regarding how best to progress that complaint, and any developments will be reported back.
- 3.2 The two complaints received in during December 2015 relating to the City Council have been determined as outlined below.

3.3 Complaint 1**The allegation:**

The first of the complaints received in in December last year concerned a complaint from a member of the public about a Member failing to respond to correspondence from a constituent. If made out, the allegations of the complaint were considered to have the potential to amount to a breach of those provisions of the Code of Conduct requiring members to treat others with respect and/or not to act in such a way as to bring their office or authority into disrepute.

Following consultation with one of the Independent Persons, it was decided to make initial enquiries regarding the complaint in accordance with the procedure available to the authority for making preliminary assessment with a view to deciding whether or not to progress the matter to formal investigation, or whether to resolve it in another way.

The complaint concerned the relevant member's apparent failure to respond in any way to two communications sent to the Member in September and October 2015, the last of which was delivered to Kings House by tracked delivery. The Member was able to adduce proof that a response had been despatched to the constituent, albeit later than was ideal. However that communication had gone astray as the Member made a typographical error in the respondent's email address. This went undetected as no error message was received.

In communications with the Monitoring Officer, the Member acknowledged that even in relation to the email communication which had gone astray, best practice in terms of communication response times had not been achieved. That acknowledgement was accompanied by an email sent to the complainant expressing regret and endeavouring to deal with the original query. In addition, the relevant Member has also highlighted the volume of correspondence received in and the difficulties of prioritising the same. The challenge was rendered particularly acute by recent personal events which imposed additional pressures on available time and made the exercise of prioritising urgent communications particularly difficult.

The outcome:

In this case, a decision was made by the MO in consultation with the Independent Person to decide under para 5.5 of the procedure for dealing with allegations not to progress the complaint to formal investigation or other resolution. The reasons for doing so were that it was not considered to be in the public interest given the particular circumstances which surrounded the failure complained of, including the personal circumstances of the particular Member at the relevant time. That Member had now communicated effectively with the complainant in the terms sought and also indicated that the issues raised by the conduct complained of were understood.

Although no further action was taken in this complaint, which is now at an end, it was noted that the complaint raised a number of issues of general relevance regarding the expectations of members in the context of challenging demands on their time. This observation - amongst others - informs the Guidance on Member Correspondence before you today, appended to a separate Report.

3.4 **Complaint 2**

The allegation:

A complaint was received on 30th December about comments made by a Member on Facebook on two groups. Following consultation with one of the Independent Persons, it was decided to make initial enquiries regarding the complaint in accordance with the procedure available to the authority for making preliminary assessment with a view to deciding whether or not to progress the matter to formal investigation, or whether to resolve it in another way.

Those enquiries involved considering the transcripts of exchanges on social media which were made available by the complainant as well as seeking the Member's version of events. The complainant considered that the Member had "trolled" him on social media and had acted inappropriately both in terms of the content of postings online and

also in 'blocking' him. If proven, the allegations had potential to amount to breaches of the Code relating to failure to treat others with respect, acting in such a manner as to bring one's office or authority into disrepute, and/or acting in a way which a reasonable person would regard as bullying and/or intimidatory.

It was noted that the complainant's version of events was robustly disputed by the Member, who referenced a proven willingness to engage via social media in order to engage with groups which were not readily accessible but outlined a very different interpretation of events. That version of events involved the complainant's conduct online on social media being such that the decision to 'block' him was one which was considered appropriate on the facts.

The outcome:

The Member concerned sought to communicate directly with the complainant, and this - although not a requirement of this process - occurred at the same time that the outcome of the complaint was notified. On all of the facts, a decision was made by the MO in consultation with the Independent Person pursuant to para 5.5 of the procedure for dealing with allegations not to progress the complaint to formal investigation or other resolution. The reasons for this decision were that it was not considered to be in the public interest to formally investigate the matter given that there were issues with the reliability of the evidence of the relevant exchanges on social media: a forum in which contributions to an exchange may be amended after the event. It was noted that exploring the context of the decision to block the complainant would involve the investment of further public resources in a context where the evidence would be similarly unreliable. Moreover it was not considered that choosing to block an individual would necessarily amount to a breach of the Code of Conduct by any Member. This observation - amongst others - informs the recommended revisions to the Protocol on Members Use of Social Media which is before you today, appended to a separate Report.

4. Other Standards Initiatives

- 4.1 Following on from the meeting referred to in the last update Report with the two Independent Persons and a workshop with representatives from each of the political groups, and also a meeting between the Independent Persons and the Chief Executive, a number of ways of improving the workings of the Audit & Standards Committee, the risk framework and good governance overall were further explored.
- 4.2 The proposals which have been actioned include reviewing and updating the Council's webpages on Member complaints to better signpost the public appropriately. Members will note too that they are being asked to consider new or revised policies on member and staff usage of social media as well as on correspondence, all of which have benefitted from the input of the Council's Independent Persons.

5. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 5.1 The Council is obliged under the Localism Act to make arrangements for maintaining high standards of conduct among members and to make arrangements for the investigation of complaints. The current arrangements and

the proposals in this report reflect this and no alternative proposals are suggested.

6. COMMUNITY ENGAGEMENT & CONSULTATION

- 6.1 The nature of the report (focussing on internal rules and procedures) means there has been no consultation with the local community generally.

7. CONCLUSION

- 7.1 The current arrangements for maintaining high standards of conduct comply with local requirements and the steps taken over the last year have contributed to improvements in standards as well as governance in general.

8. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 8.1 There are no financial implications arising from this report.

Finance Officer Consulted: James Hengeveld

Date: 26/02/16

Legal Implications:

- 8.2 These are covered in the body of the report

Lawyer Consulted: Victoria Simpson

Date: 10/02/16

Equalities Implications:

- 8.3 There are no equalities implications arising from this report

Sustainability Implications:

- 8.4 There are no sustainability implications arising from this report

Any Other Significant Implications:

- 8.5 None

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms:

None.

Background Documents:

None

Subject:	Social Media Protocol for Members and Social Media Networking Policy for Employees		
Date of Meeting:	8 March 2016		
Report of:	Head of Law & Monitoring Officer		
Contact Officer:	Name:	Abraham Ghebre-Ghiorghis	Tel: 29-1500
	Email:	Abraham.ghebre-ghiorghis@brighton-hove.gov.uk	
Ward(s) affected:	All		

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

- 1.1 The purpose of this report is to bring to the Audit & Standards Committee the outcome of a review of the protocol on the use of social media by members and a social networking policy for employees, both of which were first approved by this Committee at its meeting on 16th April 2013.
- 1.2 The suggested revisions to the above-mentioned protocol aim to update and refine it so as to better inform the ongoing project to equip both members and staff to use social media appropriately and in a compliant way.

2. RECOMMENDATIONS:

- 2.1 That the committee approves the revised Social Media Protocol for Members at Appendix 1.1 to this report.
- 2.2 That the committee notes the Social Networking Policy for Employees at Appendix 1.2 to this report.
- 2.3 That the committee note that the revised Social Media Protocol – if approved - will be circulated to all Members, together with an explanatory covering letter which highlights the changes which have been made to it.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 At its meeting of the 16th April 2013, the Audit and Standards Committee approved a protocol and a policy in relation to the usage of social media by Members and officers respectively for the discharge of Council-related duties.
- 3.2 The approach which gave rise to those new policy and protocol documents emerged from the recommendations agreed at the Audit and Standards Committee's meeting of 22nd January 2013, which implemented a number of action points emerging from an investigation by the Monitoring Officer aimed to improve the Council's management of confidential information.

3.3 Officers and social media usage:

Data received from HR indicates that there have been 6 allegations of breaches of the Social Networking Policy for employees during the 2 years following its introduction. That data may be viewed as evidence of the relevance of the Policy. Having consulted with HR and the officer responsible for social media in the Communications team, as well as with the Independent Persons, there are no proposed amendments to that policy. It is however attached for completeness.

3.4 Members and social media usage:

Members may also wish to note that some data has been obtained on councillor engagement via social media from the relevant officer in the Communications team. That data is attached as Appendix 1.3. It indicates that of 54 elected councillors, 30 have accounts with Twitter which have been identified. Of those members who have accounts, 25 are active in the sense of posting at least once a week.

Failures to observe the Social Media Protocol for Members are considered against the specific requirements of the Code of Conduct. Historically data regarding complaints of breaches of the Protocol have not been compiled. Members will however note that the most recent complaints outlined in the update Report before today's Committee concern social media comments made by elected member(s). The complaint which has been resolved has given rise to proposed revisions to the Protocol which make specific reference to the need for transparency where members consider it appropriate to 'block' individuals. The revised Protocol also includes new provisions which go to social media usage during Council meetings. Although this has not given rise to any current complaints, the practice of social media usage during meetings arguably has a higher profile since regulations permitting the broadcasting of Council meetings by the public were introduced in 2014.

- 3.5 The Social Media Protocol for Members (revised) and the Social Networking Policy for Employees (originally based on an existing informal guidance document, and not subject to revision on this occasion) - are attached at Appendices 1.1 and 1.2 respectively.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Not applicable.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Consultation with Human Resources and Communications has taken place on the content of the Social Media Protocol for Elected Members and the Social Networking Policy for Employees.
- 5.2 Consultation has also recently taken place on these two documents with the Independent Persons.

6. CONCLUSION

- 6.1 Acceptance of the recommendations and adoption of the revised Social Media Protocol for Members may be seen as part of the ongoing direction of travel agreed by the committee at its meeting on 16/3/13 to ensure the availability of appropriate guidance on social media usage.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The proposed actions set out involve changes to working practices, codes, protocols and culture, all of which are expected to be achieved within existing departmental revenue budgets.

Finance Officer Consulted: James Hengeveld

Date: 26/02/16

Legal Implications:

- 7.2 As detailed in the body of the report.

Lawyer Consulted: Victoria Simpson

Date: 24/02/2016

Equalities Implications:

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

Sustainability Implications:

- 7.4 There are no sustainability implications arising from the report.

Crime & Disorder Implications:

- 7.5 There are no crime and disorder implications arising from the report.

Risk and Opportunity Management Implications:

- 7.6 The adoption of appropriate protocols and policies set a framework for improvement to the council's corporate governance and lessen the risk of issues arising.

Corporate / Citywide Implications:

- 7.7 The attached document aims to assist in the project to continually improve the Council's corporate governance and to ensure properly managed openness and transparency by its Members.

SUPPORTING DOCUMENTATION

Appendices:

- 1.1 Social Media Protocol For Members
- 1.2 Social Networking Policy For Employees
- 1.3 Table providing data on member usage of twitter

Documents in Members' Rooms

None

Background Documents

None

Appendix 1.1 to Report on the Social Media Protocol for Members and Social Networking Policy for Employees

SOCIAL MEDIA PROTOCOL FOR MEMBERS

Purpose of this protocol:

Social media is an increasingly important means of communication for individuals and businesses. The Council welcomes Members' increasing use of social media and aims to facilitate it by providing guidance regarding what is and is not acceptable. This protocol is intended to be read alongside the practice note on [Publicity and the Use of Council Facilities](#) and complements the general rules under [the Code of Conduct for Members](#). As members might expect, **the fundamental principle is that the same standards of behaviour and conduct apply online as are required offline.**

What is social media?

'Social media' is the term to describe websites and online tools which allow people to interact with each other by creating their own content, for example blogs, videos or short messages, including tweets.

On social media sites, users may share information, discuss opinions and/or create interest groups or pages: all means of building online communities and networks which encourage participation and engagement.

It is not a requirement that members have a Facebook or Twitter account or use other forms of social media. However if you are already using or planning to use social media in connection with your work as a Councillor, or are already using such media in your private capacity, these guidelines will be relevant.

Social Media can be used:

- To support councillors in performing their community leadership role
- To keep in touch with local views and opinions
- For political campaigning
- For campaigning on local issues

Types of Social Media:

- Blogging and microblogging on online journals. Twitter is an example of microblogging, where entries are limited to 140 characters
- Online Forums involve people with similar interests sharing information and opinions. Social networking sites facilitate connections between those who already know each other, often in a social context, but are increasingly used by businesses to promote their products or services- Facebook is an example

- Video and photo publishing involve sharing videos and photographs worldwide – Youtube and Flickr are examples.

Be mindful that:

- The use of social media does not impose any legal or ethical burdens additional to those which govern all of your behaviour as a councillor.
- However while any form of communication is capable of being misunderstood, the rapidity and immediacy of social media exchanges can lend itself to problems.
- “Misfiring”, or being misunderstood, particularly where comments are perceived as being more controversial than intended, may lead to rapid and wide broadcasting of the seemingly controversial comment.
- Although social media lends itself to a conversational tone, posting comments is still publishing in the sense of creating a written record. Most pitfalls will be avoided if your online content is accurate, informative, balanced and objective.
- While councillors are free to communicate politically in appropriate contexts, you should be careful not to say anything that you wouldn't be comfortable justifying at a public meeting.

Legal issues:

- **Libel** – If you publish an untrue statement about a person which is damaging to their reputation, they may take a libel action against you. The same thing may happen if, for example, someone else publishes something libellous on your website, you know about it and don't take swift action to remove it. A successful libel claim could result in the award of damages against you.
- **Copyright** – Placing images or text on your site from a copyrighted source (for example extracts from publications or photos), without obtaining permission, is likely to breach copyright laws. Therefore don't publish anything you are unsure about, or obtain prior permission. Again, a successful claim for breach of copyright would be likely to lead to an award of damages against you.
- **Data Protection** – Do not publish the personal data of individuals unless you have their express permission.
- **Bias and Predetermination** –_if you are involved in making planning, licensing or other quasi-judicial decisions, do not say anything through social media (or indeed anywhere) that suggests you have completely and irrevocably made your mind up on an issue that is due to be formally decided upon. While your likely view on a particular application may be well known, you need to be able to show that you attended the committee or hearing prepared to take on board and weigh all the evidence and arguments, and were genuinely persuadable to a different view. If you

weren't, the decision may be later challenged as invalid. If a person has suffered some sort of detriment as a result of such an invalid decision, they may have a claim against the council for damages.

Social Media and the Code of Conduct for Members:

- Aspects of the Code of Conduct for Members will apply to your online activity in the same way as they do to any other written or verbal communication you may engage in. The key to whether your online activity is subject to the Code is whether you are, or even just appear to be, acting in your capacity as a councillor rather than as a private individual.
- Councillors can have “blurred identities”. This can happen where you have a social media account where you comment both as a councillor and as an individual. Although you may be clear in your mind that you are acting in a private capacity it may be less clear to others. This can also mean that your views can be taken as being those of your organisation or party (rather than you personally) when this may not be the case.
- One way of avoiding blurring the lines between your personal and councillor life, and avoiding some of the potential problems related to the Code of Conduct, may be to consider keeping your online accounts as a councillor separate from those where you communicate in a personal capacity. This is a decision for each member and some Members may find the convenience of having one account outweighs the advantages of separate accounts. The council’s Communications Section, in particular the Social Media Officer, can help you with more specific advice if needed.
- **You must treat others with respect** - do not use social media to make personal attacks or indulge in rude, disrespectful or offensive comments.
- **You must comply with equality laws** – do not publish anything that might be seen as racist, sexist, disableist, ageist, homophobic or anti-faith.
- **You must not bully or intimidate anyone** – do not say anything, particularly if it is part of a series of similar comments about a person or on a theme that might be construed as bullying or intimidation, whether the comments relate to a council employee, a fellow-councillor or anyone else.
- **You must not bring the council into disrepute** – you should not publish anything that could reasonably be perceived as bringing yourself as a councillor, or the council in general, into disrepute.

- **You must not disclose confidential information** - you must not, in your usage of social media, just as in any other circumstances, disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature.

Members are referred to paragraph 4 of the Members' Code of Conduct for a fuller exposition on non-disclosure of confidential information. There is a perception that inadvertent leaks of the council's confidential information are more likely to take place when a councillor is using social media, rather than, say, when they are carefully drafting a letter for publication in the local paper. This may be because of the more immediate, conversational, off-the-cuff nature of much social media communication. Whether this is true or not, members must be careful to apply exactly the same Code of Conduct standards to their social media communications as they would to statements made in a more formal context.

While it is important that the Council conduct its business with openness, it is essential that councillors and employees are clear about what is confidential and ensure that relevant items remain confidential.

There is separate more detailed guidance on confidential information available on the Wave or from the Monitoring Officer. If in any doubt, Members should seek advice.

Staying out of Trouble - Some Do's and Don'ts

Some Do's

- set appropriate privacy settings for your blog or networking site – especially if you have a private, non-political blog
- keep an eye out for defamatory or obscene posts from others on your blog or page and remove them as soon as possible to avoid the perception that you condone such views
- be mindful of the potential for misunderstanding and miscommunication.
- if you feel it necessary to 'block' an individual from communicating with you, be mindful of the need to be clear and transparent in your actions. This will normally involve communicating directly with them your decision and the reasons for it
- be aware that the higher your profile as an elected member, the more likely it is you will be seen as acting in your official capacity when you blog or network
- consider keeping your personal and elected member profile on social networking sites separate as a means of maintaining appropriate professional boundaries
- ensure you use council facilities appropriately; if you use a council provided blog site or social networking area, any posts you make will be viewed as made in your official capacity

- be aware that you will be seen as acting in your official capacity if you publish information that you could only have accessed by being an elected member
- feel able to make political points, but be careful about being too specific or personal if referring to individuals. An attack on individuals may be seen as disrespectful, whereas general comments about another party or genuine comments on policy are less likely to be viewed as disrespect.

Some Don'ts

- Blog in haste, particularly in circumstances where your judgement might be impaired; for example if you are tired or have consumed alcohol
- make unguarded statements which could lead to potential liability, or fail to take care when reporting or copying the comments of others
- post comments that you would not be prepared to make on paper or face to face
- use council facilities for personal or political blogs
- request or accept a Brighton & Hove City Council employee or contractor providing services to the council as a “friend” on a social networking site where this suggests close personal association. For the avoidance of doubt, this does not apply to sites which are intended as a neutral, professional connections registry (such as LinkedIn.)
- use social media in any way to attack, insult, abuse, defame or otherwise make negative, offensive or discriminatory comments about council staff, service users, their family or friends, colleagues, other professionals, other organisations, or the council
- publish confidential information that you may have learned or had access to as part of your role as an elected member. This includes personal information about service users, their families or friends or others e.g. contractors, council staff as well as City Council related information
- represent your personal views, or those of any political party or interest group you belong to, as being those of the council, on any social medium
- browse, download, upload or distribute any material that could be considered inappropriate, offensive, defamatory, illegal or discriminatory

Use of social media and mobile devices at meetings:

- Use mobile devices sparingly, discreetly and with common sense at meetings, being mindful of the impression you may be giving to others of proceedings.
- There may be occasions when texting or emailing between Councillors during meetings on matters relevant to the debate at hand may be valuable on the same basis as circulating paper

notes to other Councillors. Mobile devices also enable Councillors to manage their busy lives when time is at a premium. However frequent use of these devices during meetings may give the public the impression that the councillor is not paying full attention to an item that is being discussed in a debate on a decision that is to be made.

Examples of the acceptable use of devices:

- reading and annotating meeting papers and background information relevant to that meeting;
- communicating with others at the meeting on matters relevant to the debate at hand; and
- sending and receiving urgent communications to/from home relating to domestic circumstances (e.g. childcare arrangements)

Avoid the following:

- (a) using social media during quasi-judicial meetings or during the consideration of confidential or exempt items of business at meetings; and
- (b) frequently checking emails and messages that are not related to the meeting; and
- (c) extended periods of use which may suggest that insufficient attention is being paid to the meeting.

.....

The Council wishes to encourage Members to use social media where doing so may assist you in performing your function. This guidance is intended to help Members avoid the legal and reputational risks inherent in this mode of communication. The Monitoring Officer and the Social Media Officer in the Communications Team are happy to help Members by providing additional advice and guidance as appropriate. Training is also available to individual Members or Groups on the use of social media.

Abraham Ghebre-Ghiorghis

Monitoring Officer

Revised February 2016

Appendix 1.2 to Report on the Social Media Protocol for Members and Social Networking Policy for Employees

Social Networking Policy for Employees

1. Introduction

- 1.1 Social Media includes the various online technology tools that enable people to communicate easily via the internet to share information and resources. Social media includes, but is not limited to, blogs; wikis; RSS feeds; social networking sites such as Facebook and LinkedIn; micro blogs such as Twitter; photo sharing sites such as Flickr; and video sharing sites such as YouTube.
- 1.2 The widespread availability and use of social networking applications brings opportunities for the council to better understand, engage and communicate with its customers, partner agencies and the communities it serves.
- 1.3 This Policy supports the council's stated purpose, ambition and values by enabling the organisation to make best use of these technologies and so improve the way it does business. It also sets out a behavioural framework for staff members to ensure that the considerable benefits that accrue from using social media are adequately balanced against our legal responsibilities and the need to safeguard the council's image and reputation.

2. Purpose

- 2.1 The purpose of this policy is to:
 - ensure staff members are aware of their responsibility to comply with good practice and the law for example in relation to data protection, confidentiality, libel, copyright, safeguarding of children and vulnerable adults, harassment and discrimination so that the council is not exposed to legal and governance risks
 - support safer working practice by setting standards of good practice and behaviour in the use of social media
 - ensure the reputation of the council and its staff is not damaged
 - ensure children, young people and vulnerable adults are safeguarded by reducing the risk of positions of trust being abused or misused
 - minimise the risk of misplaced or malicious allegations being made against those who work with vulnerable groups

- ensure users of social networking media are able to clearly identify where information provided via such applications is legitimately representative of the council.
- enable staff members to distinguish between the use of social media in their work and personal lives.
- ensure the use of social media is aligned to the council's corporate communications strategy

3. Scope

- 3.1 This policy applies to all employees (except those based in schools who are covered by their own school's social media policy), apprentices, volunteers, casual and other non-contracted workers such as agency workers and external contractors providing services on behalf of the council. These individuals are collectively referred to as 'staff members' in this policy.
- 3.2 This policy cannot cover all eventualities and therefore staff members should consult their line manager if they are in any way unsure about what is, and isn't, acceptable use of social media.

4. Legal Framework

- 4.1 All individuals working on behalf of the council are bound by a duty of confidentiality to protect the confidential information they have access to during the course of their work. Disclosure of confidential information on social media, or by any other means, is very likely to be a breach of the council's Code of Conduct for Employees and, in certain circumstances, could amount to a breach of contract which may lead to dismissal. It may also be a breach of the general law.
- 4.2 Confidential information includes, but is not limited to:
- Person-identifiable information, e.g. employee or service user records protected by the Data Protection Act 1998
 - Information divulged in the expectation of confidentiality
 - Brighton & Hove City Council business or corporate records containing organisationally or publicly sensitive information i.e. that which would not be disclosable under the Freedom of Information Act 2000.
 - Any commercially sensitive information such as information relating to commercial proposals or current negotiations.
- 4.3 Other laws relating to discrimination, defamation, harassment, safeguarding and copyright will also apply to information posted on social media.
- 4.4 Staff members need to be aware that they will be held personally responsible if they break the law when using social media (for example

by posting something defamatory). The council may also be held liable for the acts of its staff members whilst working for the council.

5. Definition of Social Media

- 5.1 Social media is the term commonly used for websites which allow people to interact with each other in some way by sharing information, opinions, knowledge and interests. Social networking websites such as Facebook, are perhaps the most well known examples of social media but the term also covers other web based services such as blogs, mircoblogs such as *Twitter*, chatrooms, forums, video and audio podcasts, open access online encyclopaedias such as *Wikipedia*, *message boards*, *photo document*, social bookmarking sites such as *del.icio.us* and content sharing sites such as *flickr* and *YouTube*.
- 5.2 This definition of social media is not exhaustive. The internet is a fast moving technology and it is impossible to cover all circumstances or emerging media. However, the principles set out in this policy must be followed irrespective of the medium.
- 5.3 For the purpose of this policy, the term social media also applies to the use of communication technologies such as mobile phones, cameras, PDAs / PSPs or other handheld devices and any other emerging forms of communications technologies.

6. Principles - Social Media Practice

- 6.1 When using social media whether in a business or personal context staff members need to be aware that everything they post online is public, even with the strictest privacy settings. Once something is online, it can be copied and redistributed and it is easy to lose control of it. They should therefore assume that everything they post online will be permanent and will be shared.
- 6.2 Staff also need to be aware that they:
- must keep their personal and professional lives separate and always maintain appropriate professional boundaries
 - are responsible for their own actions and conduct and should avoid behaviour which might be misinterpreted by others or which could put themselves in a position where there is a conflict between their work for the council and their personal interests
 - must use social media in a professional, responsible and respectful way and must comply with the law in their on-line communications
 - must not engage in activities involving social media which might bring the council into disrepute
 - must not represent their personal views as those of the council on any social medium

- must not discuss on social media personal information about service users, their family members, council staff or any other professionals or organisations they interact with as part of their job with the council
- must not name or otherwise identify council staff, service users, former service users or their family members, colleagues etc in social media conversations
- must not use social media or the internet in any way to attack, insult, abuse, harass, defame or otherwise make negative, offensive or discriminatory comments about council staff, service users, their family members, colleagues, other professionals, other organisations, or the council
- must not browse, download, upload or distribute any material that could be considered inappropriate, offensive, defamatory, illegal or discriminatory
- should not blog in haste, particularly in circumstances where their judgement might be impaired; for example if they have consumed alcohol

7. Use of Social Media by the Council

7.1 Social media is widely used to communicate news and information about the council and the organisations it works with to residents, businesses and charities across the city. The main four social media sites it uses are:

- Flickr
- Youtube
- Twitter
- Facebook

7.2 Before a council social media account can be set up, managers must consult the council's Marketing team and submit a project brief outlining how the use of social media would benefit the service, the social networking sites it is proposed to use and how they will be maintained and monitored.

7.3 If approved, managers must submit a design brief for the new site to the Graphic Design team to ensure it complies with the council's corporate branding. The council's Communication team will then set up the new site.

7.4 All new social media sites will be trialled for three months. The council's Communications team will provide an induction session and ongoing support and guidance for those who will be using the site. This is to ensure that the service makes best use of the site and that the council's image and reputation is protected.

7.5 Social media sites not being used efficiently or not providing any benefit for residents will be removed by the Communications team.

Similarly, any site set up without prior approval will be disabled and/or removed. For further information contact the council's Social Media Officer or a member of the Communications team.

8 Guidelines for those authorised to use Council Social Media Sites

8.1 Staff members must not use any social media tool for council business unless they have first received training from the council's Communications team.

8.2 Those authorised to use social media in the workplace for business purposes have a responsibility to use the tools in a professional and responsible manner. In general terms, this means complying with the requirements set out in this Policy, the council's Acceptable Use of ICT Policy and Corporate Communications Protocol.

8.3 However, staff members need to be aware that when using social media for business purposes, they are acting as ambassadors for the council. What they say and post online will directly impact not only on their personal reputation but also on the reputation and image of the council. Therefore they should also ensure that they:

- identify themselves and their role within the council
- ensure any comments are neutral in tone, factual and clear at all times
- do not undermine the integrity or impartiality of Brighton & Hove City Council in anything they write
- do not express personal views and/or advocate a particular position on a subject, especially on issues associated with party-political controversy.
- correct personal mistakes promptly and don't alter previous posts without indicating that they have done so
- don't provoke negative discussions
- respect the views expressed by their audiences and only remove negative or aggressive comments as a last resort
- never become "friends" with those they come into contact with as part of their work for the council in ways which could lead to a conflict of interest or give rise to potential security and privacy issues
- ask and secure express permission before publishing any documents and/or reporting on social media any conversations that are meant to be private, confidential or internal to Brighton & Hove City Council

- don't cite or make reference to colleagues, clients, other third parties etc or post photographs of other people without their express consent
- 8.4 If staff members are in any doubt about what is, and isn't, acceptable to post on a social media site, they are strongly advised not to post it until they have sought advice from their manager.
- 8.5 Staff members need to be aware that the information they post on social media websites and associated documents can be subject to Freedom of Information requests.
- 8.6 Failure to comply with the above may result in social media sites being removed and disciplinary action being taken against those involved (see section 11 "Breaches of the Policy").

9. Guidelines on the Personal Use of Social Media

General

- 9.1 As the use and popularity of social media grows, the line between what is public and private, personal and professional can become blurred.
- 9.2 It is important therefore that staff members are aware that their actions on their personal web space could have an adverse impact on their professional role and/or on the council's image and reputation.
- 9.3 In the event that a staff member's online activities impacted on the council, this would no longer be a private/personal matter but would become a matter of concern for the council. This would lead to the matter being investigated in accordance with the council's Disciplinary Procedure and could result in disciplinary action being taken against the individual concerned.
- 9.4 Appendix A sets out the guidelines that staff members should follow in order to avoid any potential conflict between their personal use of social media and their role with the council.

Personal Use of Social Media at Work

- 9.5 Personal use of social media sites is permitted at work but must be within the individual's own time i.e. during lunch breaks. Any use *must not* adversely affect business priorities or network performance.
- 9.6 Staff members must not edit open access online encyclopaedias such as *Wikipedia* in a personal capacity at work. This is because the source of the correction will be recorded as the council's IP address and the intervention will, therefore, appear as if it comes from the council itself.

10. Monitoring the Use of Social Media

- 10.1 The council has systems in place to enable it to monitor all discussions and comments made about the council or related subjects on social media sites.
- 10.2 Staff members need to be aware that these tools are used on a daily basis and enable the council to see online conversations on both professional and private profiles that are open to the public.

11. Breaches of the Policy

- 11.1 The council reserves the right to close any social media applications or remove any inappropriate content published by staff members which may adversely affect the reputation of the council or put it at risk of legal action.
- 11.2 Any breach of this policy will be viewed as a serious matter and may lead to the publishing rights of the staff member(s) involved being suspended whilst the matter is investigated.
- 11.3 Any breach will be investigated in line with Brighton & Hove City Council's Disciplinary Procedure and this could result in disciplinary action, including the possibility of dismissal, being taken against the staff member(s) concerned.
- 11.4 Contracted providers of Brighton & Hove City Council services must inform the relevant council's Head of Service immediately of any breaches of this policy so that appropriate action can be taken to protect confidential information and limit the damage to the reputation of the council. Any action against such breaches should be according to the contractors' internal disciplinary procedures.
- 11.5 In the event of a serious breach of the Council's Social Networking Policy amounting to a breach of the law, the council will be obliged to report this to the Police or other external agency as appropriate.

12. Links to other Policies

- 12.1 This policy should be read in conjunction with the following policies:
 - Code of Conduct for Employees
 - Acceptable Use of ICT Policy
 - Data Protection Guidelines
 - Corporate Communications Protocol

Guidelines for Staff Members when using their own Personal Social Media/ Webspaces

1. Be aware of the dangers of putting personal information such as addresses, home and mobile phone numbers, email addresses etc. onto social networking sites.
2. Ensure that you set the privacy levels of your personal sites at the maximum and opt out of public listings on social networking sites to protect your privacy.
3. Keep your passwords confidential, change them often and be careful about what is posted online. It is a good idea to use a separate email address just for social networking so that any other contact details are not disclosed.
4. Do not identify yourself as a staff member of Brighton & Hove City Council or as a service provider for the City Council. This is to prevent information on these sites being linked with the council. Staff may add a disclaimer such as “these are my own views and opinions and not those of my employer”. In general, problems will be avoided if members of staff do not use their personal social media accounts to comment on council services and functions; this will help prevent any blurring of their private and official roles.
5. Taking the steps outlined in paragraphs 1 to 4 will avoid the potential for you to be contacted by service users, their families or friends or other third parties outside of the working environment and will reduce the chances of you becoming a victim of identity theft.
6. When using social media for personal purposes, you must make it clear that what is posted is not representative of the views and opinions of the council. Do not use of the council’s e-mail address, corporate, service or team logos or brands or other council identification on your personal webspaces.
7. Ensure you regularly review your social networking sites to ensure that information available publicly about you is accurate and appropriate. It is also good practice to close old accounts as they may contain information about you. New staff should do this when they join the council.
8. Do not give your personal contact details including details of any blogs or personal social media sites or other websites to service users, their families or friends or other third parties connected to the council e.g. contractors, elected members.

9. You must not establish or seek to establish social contact via any personal social media/other communication technologies with any service users or ex-service users, their families or friends or other third parties connected to the council e.g. contractors, elected members in circumstances suggesting close relationships that are incompatible with the need for appropriate professional independence and detachment.
10. You must consider carefully 'friend requests' from service users, their families or friends or others e.g. contractors, elected members and accept them only if you are quite sure this will not put you in the position of having a real or apparent conflict of interest in relation to the fact that in your working life you are a council employee. For the avoidance of doubt, this policy would not preclude use of media which have a neutral "business registry" type purpose and which do not suggest close association (such as LinkedIn.)
11. You must not use any information that you obtain in the course of your work for the council for personal gain or pass it on to others who may use it in such a way.
12. You must not disclose any politically sensitive information.
13. Never publish confidential information that you may have learned or have access to as part of your job. This includes personal information about service users, their families or friends or others e.g. contractors, elected members, Brighton & Hove City Council staff as well as City Council related information. This requirement continues after you have left employment.
14. Similarly, do not publish photographs, videos or any other types of image of service users and their families or images depicting staff members wearing council uniforms or clothing with council logos or images identifying sensitive council premises (e.g. care homes) on personal webspace.
15. Do not use council email addresses and other official contact details for setting up personal social media accounts or for communicating through such media.
16. Be extremely cautious about inviting work colleagues to be 'friends' in personal social networking sites. Social networking sites blur the line between work and personal lives and this may make it difficult to maintain professional relationships or it may be embarrassing if too much personal information is known in the work place.
17. Do not use personal webspace to raise or discuss a complaint or grievance about the council, your manager, colleagues etc. There are formal procedures in place for progressing these within the council.

Abraham Ghebre-Ghiorghis

Monitoring Officer

Reviewed February 2016

Appendix 1.3 to Report on the Social Media Protocol for Members and Social Networking Policy for Employees

February 2016 – review by the Social Media Officer of Member take up of Twitter

Note: Data regarding twitter accounts only was generated as exchanges via this media are in the public domain and therefore readily accessible.

Number of councillors with open Twitter accounts	30 (out of 54)	
Active users: Number of those who are active or very active users of those accounts (ie post at least once or twice a week)		25
Inactive users: Number whose usage ranges from those who haven't posted in over a year to those who post less than once a week		5
Followers: Number of councillors with over 200 followers:		29
Number with over 1,000		11
Number with over 2,000		5
Themes and engagement	All of those who posted wrote about politics, resident or community concerns and local issues	
	Around 3 posted about their home lives also	
	Varying number of re-tweets	
	Some used forum to broadcast (ie links to other sites) rather than engage	

Subject:	Guidance of Member Correspondence		
Date of Meeting:	8 March 2016		
Report of:	Head of Law & Monitoring Officer		
Contact Officer:	Name:	Abraham Ghebre-Ghiorghis	Tel: 29-1500
	Email:	Abraham.ghebre-ghiorghis@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The purpose of this report is to bring to the Audit & Standards Committee proposals for a new Guidance on Member Correspondence. The need for such a guidance was flagged up in the Standards Update Report to this Committee of 12 January 2016. A variety of complaints alleging failure to respond or respond promptly have given rise to an issue of general interest regarding what is or may be expected of Members in dealing with enquiries and correspondence from their constituents.
- 1.2 The aim of the guidance is to provide members with greater clarity regarding the expectations made of them given the ever-increasing volumes of correspondence they receive. Its objective is to provide Members with broad guidance to reduce the risk of complaints being made against them.

2. RECOMMENDATIONS:

- 2.1 That the committee approves the Guidance on Member Correspondence at Appendix 1. to this report
- 2.2 That the committee agrees that the approved Guidance be circulated to all members together with a covering letter which explains its objective.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 A recent complaint referred to in the update Report before today's Audit and Standards Committee involved an alleged failure to respond to a constituent's emails. The Council had previously received similar allegations although not through the formal standards process. Members will be aware that, in certain circumstances, such a complaint may, if proven, amount to a breach of the provisions of the Code of Conduct for Members which require Members to treat others with respect and/or not to do anything that may bring their office or authority into disrepute.

- 3.2 The Council does not, at the moment, have any guidance for Members regarding the expectations made of them in a context where correspondence received by both letter and email continues to increase. Public expectation is also changing with many anticipating instantaneous response to their queries.
- 3.3 It is for Members to decide how they deal with correspondence using their own judgment. This guidance is not intended to impose any additional new requirements, but instead to assist Members to avoid or minimize the risk of a complaint arising or unrealistic expectations being created. Members will note further that the guidance includes provision for dealing with correspondence which is frivolous or vexatious. This includes some guidelines on bringing to a close exchanges which are unproductive in situations where the member deems it necessary to do so.
- 3.4 The Guidance on Member Correspondence is attached at Appendix 1.1.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 As detailed in the report.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Consultation has recently taken place with the Independent Persons, who have made suggestions regarding the form and remit of the draft guidance.

6. CONCLUSION

- 6.1 Acceptance of the recommendations and adoption of the revised Social Media Protocol for Members may be seen as part of the ongoing direction of travel agreed by the committee at its meeting on 16/3/13 to ensure the availability of appropriate guidance on social media usage.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The proposed actions set out involve changes to working practices, codes, protocols and culture, all of which are expected to be achieved within existing departmental revenue budgets.

Finance Officer Consulted: James Hengeveld

Date: 26/02/16

Legal Implications:

- 7.1 None other than stated at para 3.1 above.

Lawyer Consulted: Victoria Simpson

Date: 10/02/16

Equalities Implications:

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

Sustainability Implications:

- 7.3 There are no sustainability implications arising from the report.

Crime & Disorder Implications:

- 7.4 There are no crime and disorder implications arising from the report.

Risk and Opportunity Management Implications:

- 7.5 The adoption of appropriate protocols and policies set a framework for ongoing improvement to the council's corporate governance and lessen the risk of issues arising.

Corporate / Citywide Implications:

- 7.6 The attached document aims to assist in the project to continually improve the Council's corporate governance and to ensure properly managed openness and transparency by its Members.

SUPPORTING DOCUMENTATION

Appendices:

1. Guidance on Member Correspondence

Documents in Members' Rooms

1. None

Background Documents

1. None

Appendix 1.1 to the Report on Guidance on Member Correspondence

Guidance on Member Correspondence

Members receive an increasing volume of correspondence by email as well as by letter. This guidance aims to clarify expectations so as to assist them in avoiding complaints that they have failed to respond to communications promptly or appropriately.

Responding promptly to correspondence

All members should endeavour to answer correspondence promptly as a matter of courtesy. Where this is not practicable because of other commitments, members are normally expected to send an acknowledgment of receipt indicating when a more substantive response will be forthcoming.

Whilst it is for each Member to judge the particular circumstances, by way of general guidance, it is suggested that Members acknowledge correspondence within 3 working days, and either send a full reply within 10 working days or give an indication of when they expect to be able to send a substantive response. It is acknowledged that this may not always be practicable and members need to adopt a common sense approach whereby they endeavour to deal with correspondence as soon as is reasonably practicable.

Use of the out of office facility for email

Where members are away for 3 days or more or otherwise unavailable, they are encouraged to make use of the out of office assistant available on Outlook to put people on notice that there may be a delay in responding and the likely timeframes of any response. Ideally members will offer other channels of communication, however if including details of an alternative contact in your message, please check with them first.

Responding to correspondence and the Code of Conduct

It is recognised that there are occasions when Members may find themselves overwhelmed by a sheer volume of correspondence, particularly when a controversial decision arises. Failure to reply or a delay in replying caused by unmanageable volume of correspondence or an occasional failure to respond, would not, normally, constitute a breach of the Member's Code of Conduct. However Members should be aware that repeated failure to respond to correspondence promptly or at all could amount to failure to treat people with respect and/or be deemed to be conduct which brings their office or the Council into disrepute.

Constituents disagreeing with a Member's response or views

This has been a source of a number of complaints in the past. As long as a response is clear and courteous, there is no requirement to support a constituent's request. This, in particular, tends to be raised in cases where constituents expect a Member to support whatever they think the majority of the residents support. Members are expected to take the views of their ward residents into account, but they still have to apply independent judgement and decide, vote or respond, in line with their objective judgement.

What about vexatious or frivolous correspondence?

It is recognised that some correspondents – whether because they do not receive the reply they are seeking, or for some other reason - repeat the same request in a series of emails or letters. The Council's procedure for dealing with corporate complaints makes provision for a decision not to enter into further communication with a complainant on a particular issue where on a careful review of the case and having taken appropriate advice a topic has been exhaustively covered.

It is acknowledged that members are faced with competing demands on their time and need to apply a common sense approach where an exchange has become unproductive. The Monitoring Officer and Independent Persons apply a case-by-case approach to allegations that members have breached the Code by failing or refusing to continue to correspond and have a discretion to take the context of any allegations into account. It is strongly recommended however that members apply appropriate standards of courtesy by despatching a clear final response which indicates that they regard the correspondence to be at a close, ideally explaining the reasons why.

Similarly, while members are not expected to engage in exchanges which they consider to have become aggressive or abusive, they are expected to communicate clearly their reasons for bringing any exchange of communications to a close.

Further advice and guidance

If Members need any further advice or guidance, they may contact Mark Wall, Head of Democratic Services (ext 1006) or Abraham Ghebre-Ghiorghis, Monitoring Officer (Ext 1500).

Abraham Ghebre-Ghiorghis

Monitoring Officer

February 2016

