





Brighton & Hove
City Council

Audit & Standards Committee

Title:	Audit & Standards Committee
Date:	19 September 2017
Time:	4.00pm
Venue	Council Chamber, Hove Town Hall
Members:	Councillors: Miller (Chair), Robins (Group Spokesperson), Sykes (Group Spokesperson), Allen, Cobb, Greenbaum, Lewry, Morris, Bushell (Non-Voting Co-Optee) and Horne (Non-Voting Co-Optee)
	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

Lawyer	Executive Director	Councillor Miller <i>Chair</i>	Democratic Services Officer
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OFFICERS

Councillor Allen
Councillor Morris
Councillor Robins
Dr David Horne
Diane Bushell
Officers
Officers

Councillor Cobb
Councillor Lewry
Councillor Sykes
Councillor Greenbaum
Officers
Officers
Officers

Public Speaker	Public Speaker
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Press

Public Seating

Public Seating

AGENDA

PART ONE

Page

18 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.

19 MINUTES & COMMITTEE ACTION LOG

1 - 10

To consider the minutes of the meeting held on 25 July 2017 (copy attached).

Contact Officer: John Peel

Tel: 01273 291058

20 CHAIR'S COMMUNICATIONS

AUDIT & STANDARDS COMMITTEE

21 CALL OVER

- (a) Items (24-29) will be read out at the meeting and Members invited to reserve the items for consideration.
- (b) Those items not reserved will be taken as having been received and the reports' recommendations agreed.

22 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 12 September 2017;
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 12 September 2017.

23 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.

24 STRATEGIC RISK FOCUS: SR13 NOT KEEPING VULNERABLE ADULTS SAFE; SR20 INABILITY TO INTEGRATE HEALTH AND SOCIAL CARE SERVICES AT A LOCAL LEVEL AND DELIVER TIMELY AND APPROPRIATE INTERVENTIONS; SR10 INFORMATION GOVERNANCE FAILURES LEADING TO FINANCIAL LOSSES AND REPUTATIONAL DAMAGE; AND SR18 SERVICE OUTCOMES ARE SUB-OPTIMAL DUE TO THE LACK OF APPROPRIATE TOOLS FOR OFFICERS TO PERFORM THEIR ROLES

11 - 40

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

Contact Officer: Jackie Algar
Ward Affected: All Wards

Tel: 01273 291273

AUDIT & STANDARDS COMMITTEE

- 25 AUDITED STATEMENT OF ACCOUNTS 2016/17 41 - 56**
Report of the Executive Director of Finance & Resources (copy attached).
Contact Officer: Nigel Manvell Tel: 01273 293104
Ward Affected: All Wards
- 26 ERNST & YOUNG AUDIT RESULTS REPORT 2016/17 57 - 102**
Report of Ernst & Young (copy attached).
- 27 INTERNAL AUDIT AND CORPORATE FRAUD PROGRESS REPORT 103 - 116**
Report of the Executive Director of Finance & Resources (copy attached).
Contact Officer: Mark Dallen Tel: 01273 291314
Ward Affected: All Wards
- 28 CODE OF CONDUCT FOR EMPLOYEES 117 - 142**
Report of the Head of Law & Monitoring Officer (copy attached).
Contact Officer: Abraham Ghebre-Ghiorghis Tel: 01273 291500
Ward Affected: All Wards
- 29 STANDARDS UPDATE 143 - 146**
Report of the Head of Law & Monitoring Officer (copy attached).
Contact Officer: Abraham Ghebre-Ghiorghis Tel: 01273 291500
Ward Affected: All Wards
- 30 ITEMS REFERRED FOR COUNCIL**
To consider items to be submitted to the 2 November 2017 Council meeting for information.

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

AUDIT & STANDARDS COMMITTEE

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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.

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

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

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Date of Publication - Monday, 11 September 2017

BRIGHTON & HOVE CITY COUNCIL

AUDIT & STANDARDS COMMITTEE

4.00pm 25 JULY 2017

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

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

Independent Members present: Diane Bushell, Dr David Horne

PART ONE

1 PROCEDURAL BUSINESS

1a Declarations of substitutes

1.1 Councillor Taylor was present as substitute for Councillor Cobb.

1b Declarations of interests

1.2 There were none

1c Exclusion of the press and public

1.3 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.

1.4 **RESOLVED** - That the press and public not be excluded from the meeting.

2 MINUTES & COMMITTEE ACTION LOG

2.1 Dr Horne noted that the Independent Members were not listed as present.

2.2 **RESOLVED** – That the minutes of the previous meeting held on 7 March be approved and signed as the correct record subject to the above amendment.

3 CHAIR'S COMMUNICATIONS

3.1 The Chair provided the following Communications:

“Members of the committee may be aware that the authority has been working with its external auditor to trial early completion, audit and approval of the accounts in advance of this becoming a statutory requirement next year. Although this process was completed yesterday and the reports have been drafted, I felt that issuing these would not give appropriate time for the committee to review and digest the reports and have therefore asked that Items 8 and 9 of the agenda be deferred to the September meeting. This will still enable the current statutory deadline of 30th September to be met. It is however encouraging to know that for next year the authority was on course to meet the 31st July deadline this year.

“I would like to extend my thanks to Councillor Norman who chaired this committee to a high standard for the past two years. I would also like to extend thanks to Graham Liddell, the outgoing Head of Internal Audit who has worked diligently with Members of this committee and extend a welcome to Russell Banks and Mark Dallen who will be replacing Graham”.

4 CALL OVER

4.1 All items on the agenda were reserved for discussion.

5 PUBLIC INVOLVEMENT

5.1 There were none.

6 MEMBER INVOLVEMENT

6.1 There were none.

7 STRATEGIC RISK FOCUS: SR2 FINANCIAL OUTLOOK; SR26 ORGANISATIONAL CAPACITY; AND SR32 HEALTH & SAFETY ASSURANCE

7.1 The Head of Health & Safety and Nigel Cusack (East Sussex Fire & Rescue Service) provided a verbal update and answered Members questions for SR32: Health & Safety Assurance.

7.2 Councillor Taylor welcomed the update as a clear indication of action. Councillor Taylor noted that the independent survey detailed at page 31 of the agenda was only 10% complete and asked whether it could be finalised by the end date of 1 September 2017. In addition, Councillor Taylor enquired as to the extent of combustion tests undertaken.

7.3 The Head of Health & Safety clarified that 10% was the stage of progress at the time the report was produced and had moved much further along since that point with completion expected by the due date of 1 September. Nigel Cusack stated investigation had confirmed that the model of cladding used in Grenfell Towers had not been found on high-rise properties in Brighton & Hove and combustion tests would only be undertaken on that specific model at this time. Other tests had been undertaken and would continue.

- 7.4 Diane Bushell asked how health and safety was monitored in contracts in the council's partnership agreements and with external contractors.
- 7.5 The Head of Health & Safety stated that there was a joint responsibility on the council and contractors to ensure a high-standard of health and safety and was robustly monitored.
- 7.6 Councillor Robins noted there was no shared database of residents in shared blocks who were vulnerable or required additional assistance in the event of evacuation and he enquired to the process for identifying those people.
- 7.7 Nigel Cusack replied that the lack of a shared database was of concern to the Fire & Rescue Service who would like access to occupancy information. The possibility of an emergency contact point within shared blocks had been considered and furthermore, any resident could call 999 directly and inform the Fire & Rescue Service that vulnerable people may live in the block. Nigel Cusack stated that there was a 'stay put' evacuation policy in the event of fire and a recent incident at Sussex Heights had demonstrated the benefit of that policy in terms of the safety of the residents.
- 7.8 The Executive Director, Finance & Resources provided a verbal update and answered Members questions for SR2: Financial Outlook.
- 7.9 Diane Bushell noted that the second line of defence placed reliance on PR&G Committee for assurance and monitoring. Diane requested assurance that the members of the committee received agendas for meetings in good time allowing them to properly digest the information. Furthermore, Diane requested clarity on the implications of health sector reforms as the information provided in the report was unclear.
- 7.10 The Deputy Chief Finance Officer answered that similar to other committees, agendas for PR&G Committee were large and finance was just one aspect of the matters of oversight of the committee. Officers ensured that all group finance leads were regularly briefed. There was also a cross-party Budget Review Group that ensured that key risks and issues were identified. On a small number of occasions it was necessary to submit late reports to the committee which was usually due to the late receipt of financial information from central government. On occasions where that happened, extra briefings were provided by Officers to Members. In relation to health sector reforms, the Executive Director, Finance & Resources and the Deputy Chief Finance Officer stated that this was an area that saw regular change at national level. A report had been considered on the matter at the most recent PR&G Committee and the Executive Director, Health & Social Care was scheduled to provide an update on the relevant Strategic Risk at the next meeting of this committee.
- 7.11 The Executive Director, Finance & Resources provided a verbal update and answered Members questions for SR26: Organisational Capacity.
- 7.12 Diane Bushell asked when the Better Brighton & Hove think tank was due to be established.
- 7.13 The Executive Director, Finance & Resources stated that there had been a process of establishing the formal status of the think tank as well as making appointments to the

Board and creating a work programme. One current issue was that of resourcing and on a short-term basis, opportunities for university secondments were being evaluated.

- 7.14 Councillor Morris enquired as to initiatives being undertaken to tackling workforce stress that was becoming an increasing issue as organisational capacity decreased.
- 7.15 The Executive Director, Finance & Resources answered that new approaches were being introduced and considered including the First Care Solutions pilot and corporate benefits for staff focussed on health and well-being and that formulated into a coherent strategy and would be available for scrutiny in due course.
- 7.16 **RESOLVED-** That the Audit & Standards Committee notes the Strategic Risk Assessment Report at Appendix 1.

8 AUDITED STATEMENT OF ACCOUNTS 2016/17

- 8.1 The item was deferred.

9 ERNST & YOUNG AUDIT RESULTS REPORT 2016/17

- 9.1 The item was deferred.

10 ANNUAL INTERNAL AUDIT REPORT 2016/17

- 10.1 The Committee considered a report of the Executive Director, Finance & Resources that provided the Head of Internal Audit's opinion on the council's control environment and governance arrangements, a summary of the results of audit work for the year and an assessment of the effectiveness of internal audit against the UK Public Sector Internal Audit Standards.
- 10.2 Dr Horne stated his concern that the proportion of high priority recommendations not implemented had increased from 5% to 14% and asked whether the officers responsible for those risks should be invited to the committee. Dr Horne stated that the two areas of challenge would be Information Governance and improvements to contract management and he would welcome details of the plans in place for those areas. Dr Horne also noted that the actions to improve controls to prevent parking fraud and losses had been slower than anticipated and questioned whether the committee should receive an update on the issue if progress continued at the same rate.
- 10.3 The Executive Director, Finance & Resources agreed that accountability was welcomed and consideration could be given to requesting officers that had not implemented high priority recommendations to attend the committee. The Executive Director, Finance & Resources clarified that Information Governance would be the subject of a deep dive by the committee and a Strategic Risk focus on the next agenda. The Head of Internal Audit added that parking controls would continue to be monitored closely and an update could be considered should progress continue to stall.
- 10.4 Councillor Sykes asked if the council had been fortunate to avoid a ransomware attack or because effective security controls were in place.

- 10.5 The Head of Internal Audit answered that the council did have more up to date operating systems compared to some authorities although there were certainly vulnerabilities in other areas that would need to be addressed.
- 10.6 Councillor Morris asked for clarification on the statement on improving controls on the use of debit cards and collecting cash income in schools.
- 10.7 The Head of Internal Audit explained that as schools financial stability was decreasing, more events were being held by way of fundraising and improvements to controls and recording of both cash income and debit card expenditure required improvement.
- 10.8 Councillor Taylor asked what the liability to the council was if a school went into deficit.
- 10.9 The Executive Director, Finance & Resources explained that every effort would be made by the council to support schools in their financial challenges and significant time had been spent with Headteachers and Governors to ensure proper financial plans were in place.
- 10.10 Councillor Taylor enquired as to the possible challenges of the National Funding Formula due to come into full effect in 2019/20.
- 10.11 The Executive Director, Finance & Resources stated that the council had discretion on whether to support a school and it may well be that the Formula may be revisited by central government before 2019/20.
- 10.12 The Chair asked for further information on the improvement required in income controls from life-events.
- 10.13 The Head of Internal Audit stated that the issues were similar to those in schools and related to financial management with the finance team now working closely on improvement measures with staff in the service.
- 10.14 **RESOLVED-**
- 1) That the Committee notes that the Head of Internal Audit has given reasonable assurance on:
 - the overall adequacy and effectiveness of the council's framework of governance, risk management and control for the year-ended 31 March 2017
 - that the council's arrangements continue to be fit for purpose in accordance with Delivering Good Governance in Local Government Framework 2016 published by CIPFA/SOLACE.
 - 2) That the Committee notes the council has an effective internal audit function which has achieved some notable successes in 2016/17.
 - 3) That the Committee notes that opportunities to strengthen the function further have been identified and will be implemented as part of Orbis IA.
 - 4) That the Committee considers the implications of the Annual Audit Report for the Annual Governance Statement.

11 CODE OF CORPORATE GOVERNANCE

- 11.1 The Committee considered a report of the Executive Director, Finance & Resources that updated the council's Local Code of Corporate Governance in response to changes in guidance from the Chartered Institute of Public Finance & Accountability (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).
- 11.2 Councillor Sykes stated that there appeared an increase in the number of late reports to committees meaning Members did not have sufficient time to give proper scrutiny.
- 11.3 The Executive Director, Finance & Resources stated that the issue had been recognised by ELT and whilst there very occasionally was a necessity for reports to be late, every effort was being made to improve processes and ensure Members received at least a skeleton report for pre-meetings.
- 11.4 **RESOLVED-** That the Committee approves the revised draft Local Code of Corporate Governance set out in Appendix 1

12 ANNUAL GOVERNANCE STATEMENT 2016/17

- 12.1 The Committee considered a report of the Executive Lead, Strategy, Governance & Law that requested approval of the Annual Governance Statement.
- 12.2 **RESOLVED-**
- 1) That the Annual Governance Statement is approved (Appendix 1).
 - 2) To note the Leader of the City Council and the Chief Executive will be asked to confirm their agreement to the AGS by signing a hard copy of Appendix 1 which will be stored securely.
 - 3) To note that the AGS once signed by the Leader of the City Council and Chief Executive will be published alongside the council's Annual Accounts.

13 ANNUAL REVIEW OF AUDIT & STANDARDS COMMITTEE

- 13.1 The Committee considered a report of the Executive Director, Finance & Resources that set out the review of the activity of the Audit & Standards Committee during 2016/17.
- 13.2 **RESOLVED-** That the Committee notes that it has many of the characteristics of a good practice audit committee and has built on this strong foundation to make further improvements during 2016/17.

14 STANDARDS UPDATE

- 14.1 The Committee considered a report of the Head of Law & Monitoring Officer that updated Members on Standards related matters since the previous meeting.

- 14.2 Councillor Morris asked when the Code of Conduct for Members had last been reviewed specifically in relation to new, emerging forms of media.
- 14.3 The Lawyer confirmed that following a detailed cross party review of the Code of Conduct, a revised version had been approved by the Committee in November 2016 and by Full Council in December 2016. Furthermore, a specific guidance on social media was available for Members. The Lawyer added that guidance on dealing with the press and communication training could be provided by Democratic Services and the Communications Team should Members request.
- 14.4 Councillor Robins asked if the £6 charge to Members for council issued mobile phones was still in place as there was often a blurred line between what constituted personal and council use.
- 14.5 The Lawyer replied that she understood that deduction had been removed and there was provision for a certain degree of personal use of council equipment.
- 14.6 **RESOLVED-** That the Committee a) notes the information provided in the Report on Member complaints, and b) considers the revisions suggested to the Social Media Protocol for Members and approves those.

15 HUMAN RESOURCES & ORGANISATIONAL DEVELOPMENT ANNUAL REPORT

- 15.1 The Committee considered a report of the Executive Director, Finance & Resources that set out the annual report of the Human Resources & Organisational Development (HROD) service highlighting activity, assurance and business plan priorities.
- 15.2 Diane Bushell noted that there had been a change in auditing approach from a 2 year Team Safety audit programme to focussing on themed audits and completion of self-assessment checklists and asked for assurance that this change in approach was effective. In addition, Diane asked what the new approaches to risk management for service redesigns were and noted that training courses on contract management had the lowest attendance which was of concern given the council's recent poor performance in the area.
- 15.3 The Head of Health & Safety stated that change in audit approach was not a full replacement and targeted audits had continued. The HROD team analysed and used the data gathered from self-assessments to inform deep dive activity as well as using the Data-Insight tool. New approaches to risk management for service redesign were variable. The council had lost key skills as a result of organisation changes and there was now a clearer understanding of the skills required and how to build those into the organisation again. The Head of Health & Safety noted that the specific training course on contractors specifically related to management of contractors in an H&S context rather than from a financial perspective.
- 15.4 Referring to page 146 of the agenda, Councillor Taylor asked if there was an estimate cost implication to the council for staff sickness. Furthermore, Councillor Taylor noted that the council employed 600 casual workers, a figure that appeared very high.

- 15.5 The Executive Director, Finance & Resources answered that staff sickness was approximately 4% of a monthly payroll budget of £5-6m although there were a number of issues that contributed to staff sickness. The Executive Director, Finance & Resources added that he was unclear whether the figure for casual workers was high or not compared to other local authorities and would clarify after the meeting.
- 15.6 Councillor Sykes noted that there had been an extraordinary reduction in liability claims over the past five years and asked whether that was due to changes to legislation or action undertaken by the council. Furthermore, Councillor Sykes noted that there had been an increase of 20% in accidents/incidents even though there had been reductions to workforce numbers.
- 15.7 The Head of Health & Safety stated that information on liability claims had been included in the report for the first time in this version and the reduction related to improved working with insurance partners and improvements to evidence records.
- 15.8 Councillor Greenbaum noted the increase in staff appointed to fixed-term contracts and asked whether that would become established as policy going forward.
- 15.9 The Executive Director, Finance & Resources stated that no policy on contract types would be sought and the increase was likely to be due to circumstances and business need. The Executive Director, Finance & Resources highlighted short-term, specialist ICT projects as the type of scenario where fixed-term contracts would be issued.
- 15.10 **RESOLVED-** That the Committee note the annual report of activity, assurance and business plan priorities from the Human Resources & Organisational Development (HROD) Service.

16 ITEMS REFERRED FOR COUNCIL

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

17 ITEMS FOR THE NEXT MEETING

- 17.1 Dr Horne asked if a workshop on the Statement of Accounts could be arranged to fully brief members of the committee ahead of consideration of the item at the next meeting.
- 17.2 The Executive Director, Finance & Resources confirmed a workshop could be scheduled.

The meeting concluded at 6.30pm

Signed

Chair

Dated this

day of

Action Log: A&S Meeting 25 July 2017

Agenda Item		Owner	Actions	Status
	17: Items for next meeting	David Kuenssberg	A workshop on the Statement of Accounts to be arranged before the next meeting	Completed

Subject:	Strategic Risk Focus: SR13 Not Keeping Vulnerable Adults Safe; SR20 Inability to integrate health and social care services at a local level and deliver timely and appropriate interventions; SR10 Information governance failures leading to financial losses and reputational damage; and SR18 Service outcomes are sub-optimal due to the lack of appropriate tools for officers to perform their roles
Date of Meeting:	19 September 2017
Report of:	Executive Lead Officer, Strategy, Governance & Law
Contact Officer: Name:	Jackie Algar Tel: 01273 291273
Email:	Jackie.algar@brighton-hove.gov.uk
Ward(s) affected:	All

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

- 1.1 The Audit & Standards Committee has a role to monitor and form an opinion on the effectiveness of risk management and internal control. As part of discharging this role it reviews the Strategic Risk Register (SRR) annually each January and focuses on at least two Strategic Risks at each of their meetings.
- 1.2 This report also provides the Committee with any significant updates to the city council's SRR as part of the last review undertaken by the Executive Leadership Team (ELT) on 26 July 2017.
- 1.3 The Strategic Risk Assessment Report (Appendix 1) provides further detail on the actions taken (existing controls) and future actions to manage each strategic risk.
- 1.4 The officer available to answer Members' questions on the Strategic Risks SR13 and SR20 will be Rob Persey, Executive Director, Health & Social Care; and David Kuenssberg, Executive Director, Finance & Resources, for SR10 and SR18.

2. RECOMMENDATIONS:

- 2.1 That the Audit & Standards Committee notes the Strategic Risk Assessment Report at Appendix 1.
- 2.2 That, having considered Appendix 1 and any clarification comments from the officers, the Committee makes any recommendations it considers appropriate to the relevant council body.
- 2.3 That the Committee note in paragraph 3.4 the information on changes to the council's SRR and/or any other significant changes to the risk management arrangements at the city council.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The SRR details the current prioritised risks which may affect achievement of the council's Corporate Plan purpose, including in relation to its work with other organisations across the city. It is reviewed and agreed by ELT quarterly, and influences service activity within Directorates and Directorates' individual Directorate Risk Registers.
- 3.2 Across the council there are a number of risk registers which prioritise risks consistently by assigning risk scores 1-5 that the risk will occur, and the potential impact (denoted by 'I') if it should occur. These L and I scores are multiplied; the higher the result of L x I, the greater the risk e.g.L4xI4 which denotes a Likelihood score of 4 (Likely) x Impact score of 4 (Major). A colour coded system, similar to the traffic light system, is used to distinguish risks that require intervention. Red risks are the highest, followed by Amber risks and then Yellow, and then Green. The Strategic Risk Register records Red and Amber risks.
- 3.3 Each strategic risk has a unique identifying number and is prefixed by 'SR' representing that it is a strategic risk. Each is recorded on the Integrated Risk Manager (IRM) software system, part of the Interplan package. Appendix 1 gives details of existing controls and future actions to manage each strategic risk.
- 3.4 As the Committee has moved to consideration of an annual report on the whole SRR each January, this paragraph provides information on any significant changes made to the SRR by ELT since the last Committee. ELT review the SRR quarterly but will consider any new risks outside of the regular reporting schedule as required. The paragraph will also provide details of any new arrangements affecting risk management at the City Council. Below are updates:
 - 3.4.1 ELT reviewed the SRR on 26 July 2017 and the changes to the SRR were:
 - A) Addition of new strategic risk 'SR30 Failure to demonstrate Place Based Leadership, unable to promote the City-Region's business economy, employment & training opportunities; a poor reputation in delivering value for money for the business rate payer'. The Risk Owner is the Chief Executive.

The Risk Cause is expressed as:

'Fulfilling the expectations of business, government and wider community that Brighton & Hove City Council will lead the city well and be stronger in an uncertain environment. Whilst the council has already established effective partnership arrangements to benefit the city such as Brighton & Hove Connected, the City Management Board, Greater Brighton Economic Board and wider city regional based leadership, if it does not 'step up to the mark' and embrace its role for Placed Based Leadership the council may be perceived as less relevant to business and wider community and others due to factors such as:

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

The Potential Consequences of this risk are expressed as:

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

B) Addition of new risk strategic risk 'SR31 Schools unable to manage their budgets', The Risk Owner is the Executive Director, Childrens, Families and Learning.

The Risk Cause is expressed as:

'Schools' ability to manage the pace and change of school budget reductions and costs of implementing cumulative cost pressures, such as pay rises, higher employer contributions to national insurance, the teachers' pension scheme and the impact of reducing numbers of pupils starting at reception level in Brighton & Hove affecting pupil based funding, will impact on the council's budget for all service delivery. Early indications are that the level of schools' surpluses will fall from £2.895m at 31/03/17 to £1m at 31/03/18. This projection would result in an overall overspend on schools of £1.398m (£2.398m-£1m) at 31/03/18, which would need to be met from reserves'.

The Potential Consequences of this risk are expressed as:

- 'If the level of licensed deficits in 2017/8 is still required by schools which already have Licensed Deficit agreements continuing into

2017/18 then the council will not be able to license any new deficits for other under the current scheme

- Inequality between schools and impact on relationship between the majority of schools and the council
- Increased council support to assist schools to improve procurement options, work collaboratively and manage workforce better
- Stakeholder dissatisfaction due to changes in service location of provision
- Ernst Young (our external auditors) may reduce their rating of the Council's ability to secure Value for Money
- If a school is unable to provide sustainable strategies in order to balance their budgets, Finance will have to apply tougher sanctions e.g. removal of a school's delegated financial powers
- If educational performance requires a school which has is already in deficit to transition to academy status, the DfE policy is that the council will fund the deficit from its core budget and recover the monies from the academy trust and the council will not receive monies until the DfE is satisfied that the amount is a true reflection of what is owed and both parties agree
- Schools may decide not to 'buy-back' services from existing council support services, reducing workforce.'

These two new risks are under further development and more detail will be included in future risk updates to Committee.

- C) Removal of existing risk SR22 Modernising the Council as the process to develop and monitor the results to achieve this are 'business as usual' and reported to the Corporate Modernisation Delivery Board and the savings are integral to the budget management process.
- D) There are now 16 Strategic Risks in total. Apart from a change to increase the impact rating from 4 (major) to 5 (catastrophic) on SR32 Health & Safety Assurance, there were no changes to risk scores of existing Strategic Risks.

3.4.2 The table below sets out Strategic Risks in order of revised risk score and includes Internal Audit's assessment of Controls for Strategic Risks set out by Three Lines of Defence, further context is provided in the [Annual Governance Statement 2016/17](#).

	First line	Second line	Third line
Green	Management controls set out on CRAF	Sources of corporate assurance set out on the CRAF	Independent assurance that first and second lines are effective
Yellow	Some management controls set out on CRAF	Some sources of corporate assurance set out on the CRAF	Independent assurance that first and second lines are reasonable
Grey	n/a	n/a	Independent assurance in progress or planned
White	Management controls not set out	Sources of corporate assurance not set out	No independent assurance
Red	n/a	n/a	Independent assurance that first and second lines are weak

Strategic Risk (SR) No.	Risk Title (also see next page for continuation)	Revised Risk Score Likelihood (L) x Impact (I)	Corporate Risk Assurance Framework Heat Map rating (from Annual Governance Statement 16/17)		
			First	Second	Third
31	Schools unable to manage their budgets	4 x 4 NEW	To be assessed in due course		
2	Council is not financially sustainable	3 x 4 ▼	green	green	yellow
10	Information governance failures leading to financial losses and reputational damage	3 x 4 ◀▶	green	green	red
13	Not keeping Vulnerable Adults Safe from harm and abuse	3 x 4 ◀▶	green	green	yellow
15	Not keeping Children Safe from harm and abuse	3 x 4 ◀▶	green	green	green
17	Ineffective school place planning	3 x 4 ◀▶	green	green	grey
20	Inability to integrate health and social care services at a local level and deliver timely and appropriate interventions	3 x 4 ◀▶	green	green	grey
21	Unable to manage housing pressures	3 x 4 ◀▶	green	green	yellow
30	Failure to demonstrate Place Based Leadership, unable to promote the City-Region's business economy, employment & training opportunities; a poor reputation in delivering value for money for the business rate payer	3 x 4 NEW	To be assessed in due course		
24	The impact of Welfare Reform increases need and demand for services	4 x 3 ◀▶	green	green	grey
32	Sub-standard health & safety measures lead to personal injury of staff or residents, financial losses and reputational damage	2 x 5 ▲	To be assessed in due course		
23	Unable to develop an effective Investment Strategy for the Seafront	3 x 3 ◀▶	green	green	grey
25	The lack of organisational capacity leads to sub-optimal service outcomes, financial losses, and reputational damage	3 x 3 ◀▶	yellow	yellow	grey

Strategic Risk (SR) No.	Risk Title – continued	Revised Risk Score Likelihood (L) x Impact (I)	Corporate Risk Assurance Framework Heat Map rating (from Annual Governance Statement 16/17)		
			First	Second	Third
26	Not strengthening the council's relationship with citizens	3 x 3 ◀▶	green	green	grey
18	Service outcomes are sub-optimal due to the lack of appropriate tools for officers to perform their roles	2 x 4 ◀▶	yellow	green	yellow
29	Ineffective contract management leads to sub-optimal service outcomes, financial losses, and reputational damage	2 x 4 ◀▶	green	green	grey

3.4.2 There are no changes to be reported relating to the arrangements for risk management at the City Council.

4. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

4.1 For each Strategic Risk there is detail of the actions already in place ('Existing Controls') or work to be done as part of business or project plans ('Risk Actions') to address the strategic risk. Potentially these may have significant financial implications for the authority either directly or indirectly. This report highlights 2 new risks that have potentially direct and indirect financial consequences for the council.

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

Finance Officer Consulted: James Hengeveld

Date: 04/09/2017

Legal Implications:

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

Lawyer Consulted: Victoria Simpson

Date: 26/07/2017

SUPPORTING DOCUMENTATION

Appendices:

1. Strategic Risk Assessment Report SR13; SR20; SR10; and SR18.

Documents in Members' Rooms

1. None.

Background Documents

1. Strategic Risk Register Review, July 2017 as published on the Wave (council's intranet) on 7 September 2017.

Brighton & Hove City Council

Strategic Risk Focus Report

SR13

SR20

SR10

SR18

Initial Rating

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

Revised Rating

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

1 - 3

Low

Monitor periodically

4 - 7

Moderate

Monitor if the risk levels increase

8 - 14

Significant

Review and ensure effective controls

15 - 25

High

Immediate action required & need to escalate to the management level above

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR13	Not keeping vulnerable adults safe from harm and abuse	Executive Director Health and Adult Social Care Assistant Director Adult Social Care Head of Adult Safeguarding	BHCC Strategic Risk, Legislative	26/07/2017	Threat	Treat	 L4 x 14	 L3 x 14		Revised: Adequate

Causes

Link to Corporate Plan: Priority Health & Wellbeing: Safeguard the most vulnerable from neglect and harm
 Keeping vulnerable adults safe from harm and abuse is a responsibility of the council. Brighton & Hove City Council has a statutory duty to co-ordinate safeguarding work across the city and the Safeguarding Adults Board. This work links partnerships across the Police and Health and Social Care providers. Under the Care Act, since 2015, the Local Authority has a statutory duty to enquire if it believes a person with care and support needs is experiencing or is at risk of harm and abuse and cannot protect themselves. In 2015/16 868 safeguarding enquiries were completed by the adult assessment service.

Due to a national legal judgement in early 2014 on Deprivation of Liberty Safeguards (DoLS) the council has seen a significant increase in requests for Best Interest Assessments (BIAs); numbers have increased significantly testing the council's capacity to deliver.

Potential Consequence(s)

- * Generally, cases are more complex and demands can vary
- * Failure to meet statutory duties could result in legal challenge
- * Failure to respond to a more personalised approach could result in challenge
- * Inadequate budget provision to meet statutory requirements

Existing Controls

First Line of Defence: Management Controls

1. Local Safeguarding Adults Board (LSAB) work plan established, with independent leadership, with aligned LSAB sub group work plans
2. Multi agency safeguarding adult procedures in place, for preventing, identifying, reporting and investigating allegations of harm and abuse, in line with Care Act requirements and endorsed by 3 Sussex Safeguarding Adults Boards Continuous professional development plan in place for social work qualified staff, including a training programme and Practice Development Groups, for Care Act and Mental Capacity Act requirements. Impact of assessment staff training monitored through Audit Moderation panel.

3. 'What to do if you or someone you know are being abused or neglected' leaflet produced by LSAB, available on LSAB members websites and hard copies distributed. Adults Safeguarding information on all LSAB member websites, including how to raise a concern and relevant contact details. The BHCC website has a Safeguarding Adult section, with information for the public regarding recognising abuse, how to report.
4. E-learning on Safeguarding Adults basic awareness is available for all BHCC staff, and Independent and Voluntary sector organisations.
5. Core training in safeguarding and mental capacity available via BHCC Workforce Development Team for all provider services (Independent and Voluntary Sector) who provide an adult social care function.
6. For ASC staff who have contact with vulnerable people, Safeguarding Awareness is noted as Mandatory.
7. BHCC Quality Monitoring Team and process in place to monitor quality of adult social care providers, in partnership with CCG, and CQC.
8. Violence Against Women and Girls training programme available for LSAB member organisations, and ASC Assessment Service staff enabled to attend.
9. Dedicated Principal Social Work post for adult services, ensuring well trained, motivated social work service, meeting continuous professional development requirements in line with Social Work Professional Capabilities Framework, including expectations for professional supervision.
10. Senior Social Work/Operational Management authorisation of all Mental Capacity assessments undertaken in ASC Assessment Service.
11. Named Enquiry Supervisor for all Safeguarding Enquiries undertaken in ASC Assessment Service
12. Deprivation of Liberty Safeguards (DoLS) Team to lead and co-ordinate all DoLS referrals in line with statutory requirements
13. Approved Mental Health Practitioner (AMHP) Operations Manager overseeing the AMHP Team, to meet all relevant statutory requirements.

Second Line of Defence: Corporate Oversight

1. Quality Assurance across key agencies, monitored by the Independently Chaired LSAB, with annual progress report on the LSAB work plan published.
2. Multi agency, and single agency safeguarding audits undertaken. Quarterly audit framework for adult social work service monitoring safeguarding enquiry practice.
3. Quarterly audits monitored by Audit Moderation Panel, and Corporate Performance indicator.
4. KPI to monitor number of Safeguarding Enquiries not meeting Practice Standards
5. Care Governance Board overseeing Quality Monitoring.
6. Learning from Safeguarding Adult Reviews (SARs), monitored through SAR sub group of the LSAB.
7. Yearly Social Work Health Check
8. LSAB Independent Chair meets quarterly with Chief Executive
9. LSAB annual report to Health and Wellbeing Board, includes statutory progress report on LSAB work plan.
10. Pan Sussex Safeguarding adults procedures group, meets quarterly, to review and update Sussex Safeguarding Adults procedures regularly, ensuring they are legally compliant and responsive to local and national practice development and learning.
11. Dols Governance Group, meets quarterly, attended by Assistant Director and Head of Adult Safeguarding, to ensure activity is quality assured, meets legal requirements, and activity is delivered with an efficient use of resources.
12. Departmental Management Team and HASC Modernisation Board oversee developments and monitor risks to Department.
13. Working with ADASS (association of directors of adult social services) on monitoring the impact of DoLS work to Local Authorities following the Supreme Court ruling in 2014 (P v Cheshire West Council and P&Q v Surrey County Council).

Third Line of Defence: Independent Assurance

CQC Inspection of in-house registered care services, ongoing, last inspection undertaken for Knoll House, 16/11/16, which received an overall CQC rating of Good.

Information on council website re. inspection results: <https://www.brighton-hove.gov.uk/content/social-care/getting-touch-and-how-were-doing/adult-social-care-inspection-reports-council>

LGA/ADASS Peer review programme – Sector Led Improvement Peer Review undertaken 2013, ‘Safeguarding and Self Directed Support’. Action Plan completed June 2014. Indications from ADASS that a further Peer Review for BHCC HASC will be considered 2017/18.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Continue to learn from serious case reviews, coroners inquests and case reviews	Head of Adult Safeguarding	75	31/03/18	01/04/15	31/03/18

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments:</p> <p>Safeguarding Adults Review undertaken (called SAR X), written by Independent Author commissioned by the Local Safeguarding Adults Board (LSAB). 28/11/16 an Extraordinary LSAB meeting was held with all Board members, and the Independent Author presented the report, findings and recommendations.</p> <p>The SAR Sub Group of the LSAB (Chaired by HealthWatch) has finalised the SAR X Action plan, signed off at the SAR Sub Group 24/01/2017. The SAR X Action Plan is reviewed and monitored via the SAR Sub Group, which reports to the LSAB. SAR X summary is published on the LSAB website.</p> <p>The SAR Sub Group will monitor the completion of the Action Plan.</p> <p>A briefing regarding SAR X is being completed, and will be circulated to all LSAB member organisations for staff awareness.</p> <p>A multi agency audit has been agreed by the LSAB to be undertaken for a number of people identified as homeless/rough sleeping. The scope of this audit is to be agreed at the Quality Assurance sub group of the LSAB, held 27/01/2017, with an aim for the outcome of this audit to be reported to the Quality Assurance sub group in April 2017.</p> <p>Revised Pan Sussex Safeguarding Adults Review protocol in place April 2015, to replace Serious Case Review process following implementation of Care Act. Revised protocol reflects new duties regarding Safeguarding Adults Reviews. Safeguarding Procedures updated April 2016.</p> <p>A Safeguarding Adults Review agreed to be undertaken following referral to the Safeguarding Adults Board. In process of being completed, for final report November 2016.</p> <p>Review of recent deaths of homeless people being undertaken, reported to the Safeguarding Adults Board June 16, then to Members Steering Group. Update Sep 16. This has led to further investigation with a view to further report due to be presented to Safeguarding Adults Board in Dec 16. Further quality assurance work will be undertaken in January 17 by a selection of active cases that will be identified for discussion at the safeguarding Q&A subgroup in January 17.</p>					
Continue to raise awareness through messages and training	Head of Adult Safeguarding	100	31/03/17	01/04/15	31/03/17

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: This is an on-going control. As such it is now reflected in the Second Line of Defence 'Learning from SAR's, monitored by SAR sub group of the safeguarding board'. Requirement for a joint Participation and Engagement Group was agreed by both the Local Safeguarding Adults Board (LSAB) and Local Safeguarding Children's Board (LSCB) in April 2016. With relatively new arrangements for an independently chaired LSAB, a priority area of focus was to recruit a Board Manager to support the LSAB, and to set up the Quality Assurance sub group, and the Quality Assurance Framework. Progress on this was also hindered by the Chair of the already established LSCB Participation and Engagement (P&E) Group leaving their post at East Sussex Fire and Rescue Service. Sussex Police have now agreed to take on the Chairing arrangements for this joint group. The new Chair of the P&E sub group has confirmed that the first joint P&E group will be held by April 2017.</p> <p>Joint Participation and Engagement Group has been set up (April 16), linking the Safeguarding Adults and Children's Boards to engage with the community and promote awareness Regular and ongoing programme of Practice Development Groups within adults assessment service to ensure practice standards are met for safeguarding and mental capacity work. These are well attended and received and remain ongoing.</p>					
Performance Indicator for assessment service staff attendance on core training sessions, to be set for 2017-18.	Head of Adult Safeguarding	30	31/03/18	20/01/17	31/03/18
<p>Comments: Lead Enquiry Officer (LEO) training for safeguarding adults has been developed by the Professional Standards and Safeguarding Team, to build on training rolled out in 2015 when the Care Act started, and on on-going Practice Development Groups. This training is ready to be rolled out in July, and dates have been booked for this 2 day training every 2 months for the year ahead. Based on numbers of qualified social workers in adult services a target has been set for end 27/18 that 50% of all social workers would have attended this new training during the period. Including previous year's training this will equal 75% of staff trained.</p>					

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Programme of Prevent training to be rolled out to all Assessment Service staff in contact with citizens, Senior Social Workers and Operations Managers, and Registered Managers of provider services. All relevant staff to have attended training by April 2019.</p> <p>Comments: Each trainer has committed to 4 sessions, one of which will be doubled up, around 50% coverage by April 2018, full completion by April 2019. 8 courses of Workshop to Raise Awareness of Prevent (WRAP) booked from July 2017 to December 2017 for all relevant staff. Further courses to be booked in for 2018.</p>	Head of Adult Safeguarding	30	29/03/19	20/01/17	29/03/19
<p>The Statutory requirements of specific elements of the Mental Health Act (Approved Mental Health Professional's and Guardianship) to be included for scrutiny in an extended DoLS Governance quarterly meeting, by April 2017. Terms of Reference to be reviewed and agreed by March 2017.</p> <p>Comments: Term of Reference have been reviewed and agreed at Dols Governance meeting 04/04/2017. Next meeting is booked 21/06/2017, where the meeting will also cover AMHP and Guardianship issues, with the relevant staff invited.</p>	Head of Adult Safeguarding	100	30/04/17	24/01/17	30/04/17

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR20	Inability to integrate health and social care services at a local level and deliver timely and appropriate interventions	Executive Director Health and Adult Social Care Interim Head of Adult Social Care Commissioning Assistant Director Adult Social Care General Manager - SPFT	BHCC Strategic Risk, Economic / Financial	26/07/17	Threat	Treat	 L4 x I4	 L3 x I4		Revised: Adequate

Causes

Link to Corporate Plan Priority 3: Health and wellbeing

The ability of the health and social care system to progress with integrated teams and to commission appropriate services to support early intervention and ongoing care, supported by the Better Care Fund.

Potential Consequence(s)

If parties do not work together as agreed, or organisation's priorities change, it will affect delivery of performance targets in relation to the Better Care Fund. Any failure of delivery will impact on the Acute Trusts' costs and our ability to release efficiency savings to create new services.

Existing Controls

First Line of Defence: Management Controls

1. The CCG operates across 6 Clusters. From April 2017 three Social Care District teams support these Clusters so that social care operational work is aligned
2. Better Care Board established (high level and cross sector representation) and chaired by Executive Director Health & Adult Social Care, with oversight by Health & Wellbeing Board;
3. Finance and Performance Board monitors spend and performance.

Second Line of Defence: Corporate Oversight

1. Health & Wellbeing Board reviewed and governance arrangements in place to help deliver an integrated approach, including oversight of the Better Care Fund;
2. Better Care Plans in place. Section 75 signed off.
3. Partnership work agreed and submitted a Better Care Plan by the deadline in March 2014. Revised Better Care plan for 2016/17 submitted.


Third Line of Defence - Independent Assurance

NHS England sign off Better Care Plan, submitted in May 2016.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Robust Section 75 agreements to be reviewed.	Executive Director Health and Adult Social Care	25	31/03/18	23/03/16	31/03/18
<p>Comments: The intention is to enter into a shadow year from April 2018 for the integration of health and social care. Robust s75 agreements will be in place to support this shadow year. There are two Section 75 (s75) agreements: 1) Better Care which is led by the CCG and likely to require minor update; and 2) with the Sussex Partnership Foundation Trust (SPFT) now agreed in May 2016 with a slight change to risk share and budget. Update November 2016: SPFT in receipt of updated S75 agreement, response pending. Better Care Fund - currently being reviewed.</p>					
SR 20 Risk Action (Now completed): Deliver Phase 1 Better Care implementation plan from September 2014. Cluster working under development. Cluster one, went live in September 2015. This model is based around GP's and multi-disciplinary teams	Executive Director Health and Adult Social Care	100	31/03/17	01/09/15	31/03/17

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Update Sep 17 - Restructure into 3 operational teams went live from April 2017 and has thus this risk action has been completed.</p> <p>3 clusters currently operating with multi-disciplinary team working. From June 2016 development programme to change working practices and monitor performance and outcomes.</p> <p>Update Nov 16: This work remains ongoing and full roll out of cluster teams in April 17.</p>					

Risk Details

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR10	Information governance failures leading to financial losses and reputational damage	Strategic Risk Owners ICT Business Engagement Manager ICT Records Manager / Information Governance	BHCC Strategic Risk, Legislative	26/07/17	Threat	Treat	 Red L4 x 14	 Amber L3 x 14		Revised: Adequate

Causes

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

The council must operate to a high standard of information governance (IG) within the overall context of openness and transparency. The council must ensure that it not only protects the organisation's information and technical assets but that it does so within a complex economy of overlapping legislative requirements and compliance regimes; including the introduction of new & more stringent IG requirements under the General Data Protection Regulations (GDPR). As examples, the Public Services Network (PSN) and the Health & Social Care Information Centre (HSCIC) both place significant emphasis on Information Governance Controls as does the Information Commissioner's Office (ICO).

Potential Consequence(s)

- Individuals could suffer reputational, financial or physical harm,
- The council could suffer reputational and/or financial loss along with an inability to function effectively
- The financial sanctions available to the ICO will be significant under GDPR
- The PSN & HSCIC could impose operational sanctions which would be catastrophic for many services,
- Inadequate IG management lends itself to poor DP practices incl. non-compliant circulation of data & leaks
- It could result in a loss of trust in the council by citizens and partners.

Existing Controls

First Line of Defence: Management Action

- 1) A suite of Information Governance Policies have been approved;
- 2) An Information Governance training package has been rolled out across the entire organisation;
- 3) An Information Audit has been completed, including business impact assessments for the loss or compromise of Confidentiality, Integrity and Availability;
- 4) Physical access controls have been improved a result of the move to a new datacentre;
- 5) Cyber security controls introduced to minimize security risks and adoption of ITHC principles for internal security scanning
- 6) An information risk register has been developed and is regularly reviewed by ICT Mgt Team (ICTMT), Information Governance Board (IGB) and the Senior Information Risk Owner (SIRO)
- 7) Protective monitoring technology has been introduced to provide threat, vulnerability and incident alerts

Second Line of Defence: Corporate Oversight

- 1) The SIRO oversees the organisation's approach to Information Risk Management, setting the culture along with risk appetite and tolerances;
- 2) The Information Governance Board ("IGB") oversees and provides leadership on Information Risk Management and obligations arising from legislation such as the DPA 1998 & FOI 1998;
- 3) The Caldicott Guardians (Executive Directors FCL; and HASC) have corporate responsibility for protecting the confidentiality of Health and Social Care service-user information and enabling appropriate information sharing;
- 4) The Information Governance Team operates as an independent function to provide advice, guidance and oversight in key areas.
- 5) Oversight of Audit and Standards Committee.

Third Line of Defence: Independent Assurance

- 1) Internal and external ICT audits provide an objective evaluation of the design and effectiveness of ICTs internal controls;
- 2) IT Health Check (ITHC) performed by a 'CHECK'/'CREST' approved external service provider – covering both applications and infrastructure assurance. The ITHC approach has been updated to include one standard annual check and one targeted solution specific check (e.g. the mobile service).
- 3) Continued assurance from compliance regimes, including PSN CoCo, HSCIC IG Toolkit and PCI DSS Annual;

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
SR 10 Risk Action: Implement an organisation wide information risk management process and maintain a prioritised information risk register.	ICT Business Engagement Manager	100	30/06/17	01/09/15	30/06/17

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Information risk is now reviewed via an IGB sub-group and priority risks are escalated to IGB and SIRO. Building on the progress in this area will be a key part of a new IG strategy (currently in development)</p>					
SR10 Risk Action: Develop and launch a series of IG training modules	ICT Business Engagement Manager	5	30/03/18	28/04/17	30/03/18
<p>Comments: September '17 update: Initial scoping/discovery work is underway</p>					
SR10 Risk Action: General Data Protection Regulation (GDPR) compliance project	ICT Business Engagement Manager	20	30/10/19	01/04/17	30/10/19
<p>Comments: Initiate a project to co-ordinate activity across BHCC to ensure that the authority is compliant with the GDPR by May 2018. The project will introduce new IG practices, such as information flow mapping and business led risk management and provide clarity on information accountability. End Q2 '17 update: Project has been initiated and a risk workshop and some initial awareness raising has taken place. Links have also been formed across the Orbis partnership to ensure work is consistent and avoids duplication September '17 update: A GDPR business case outlining resource investment will be presented to modernisation board Sept 2017. Although GDPR launches in May 2018 this is now seen as a key milestone as work will continue for some time after this date. For this reason the deadline for this work has been revised.</p>					
SR10 Risk Action: iCasework implementation	ICT Business Engagement Manager	30	30/09/17	01/06/17	30/09/17

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Implementation of iCasework for FOI case management (includes FOI process improvement). End Q2 '17 update: Procurement activity has begun and resource for implementation has been identified. September '17 update: Contract has been awarded, but supplier availability for implementation has delayed the project. Implementation has be scheduled for October through to November 2017</p>					
SR10 Risk Action: Review of ICT incident management process – to fully integrate data breach and cyber security incidents	ICT Business Engagement Manager	60	30/06/17	01/06/16	29/12/17
<p>Comments: The ‘as is’ has been reviewed and a ‘to be’ has been defined and documented. Implementation of the new process is scheduled for completion by end of June 17. End Q2 '17 update: Work has been slightly delayed in order to harmonise IM process with the Orbis partnership. The initial Orbis workshops have taken place and work will be completed by end of Q3 September '17 update: Implementation of a new Orbis process will commence at the end of Q3</p>					
SR10 Risk Action: Review protective monitoring arrangements with Orbis partners	ICT Business Engagement Manager	0	29/12/17	28/04/17	29/12/17
<p>Comments: Seek opportunities to develop and expand the protective monitoring approach. End Q2 '17 update: work has been incorporated into a data centre review task. September '17 update: The current protective monitoring contract with Eduserve will continue. The IT&D data centre strategy (in development) will provide longer term plans on how the service will be developed.</p>					

Risk Details

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR18	Service outcomes are sub-optimal due to the lack of appropriate tools for officers to perform their roles	Executive Director of Finance & Resources Head of Digital Transformation ICT Business Engagement Manager	BHCC Strategic Risk, Technological	26/07/17	Threat	Treat	Amber L3 x 14	Amber L2 x 14		Revised: Adequate

Causes

Link to Corporate Plan: Priority Economy, Jobs and Homes: Improve the City's digital infrastructure

Service redesign and development of user centric, secure, resilient, flexible digital capabilities which meet safeguarding and other legislative duties relies on:

- 1) a sufficient number of ICT staff with appropriate skills and effective, efficient suppliers
- 2) an investment strategy for sustainable targeted improvements of ICT platforms and systems
- 3) organisational capacity for joint work to transform services
- 4) staff skill levels and confidence to use and innovate with information and technology
- 5) sufficient understanding and leadership at all levels of the organisation to exploit the opportunities of modern, digital IT to improve service delivery
- 6) appropriate access for those with safeguarding responsibilities, including in partnership, to ICT systems which enable the protection of the most vulnerable
- 7) improved information systems and services to enable delivery of council objectives as set out in the corporate plan

Potential Consequence(s)

- Less confidence in digital technology to assist achievement of Corporate Plan objectives
- Unable to transform services to achieve efficiencies and better outcomes for residents, communities, businesses and visitors
- Unable to meet organisational budget reductions if automated services are not introduced
- Communications offer, including with citizens and communities is less effective and engaging
- Safeguarding issues if staff do not have appropriate access to the information and support needed to carry out their roles
- Increased pressure on staff in delivering services and unable to focus on transformation
- Leaders unable to innovate services at necessary pace to meet demand and cope with financial pressures
- Impact on council and city reputation as a digital city
- Staff morale affected

Existing Controls

First Line of Defence: Management Action

- ICT Infrastructure Programme is delivering core ICT infrastructure platforms to improve service flexibility, availability, business continuity and cybersecurity - this includes clear service levels, hybrid cloud platform, flexible connectivity options and robust cybersecurity.
- Feedback and engagement from customers and partners is driving the development of services, including focus inside and outside of Digital First on mobile, digital and information sharing.
- Alignment and prioritisation of project resources to modernisation requirements.
- Established working relationships and governance (Informatics Oversight Committee & Local Digital Roadmap) for cross social care and health system developments and resourcing, linked to Better Care and Digital Roadmap development.
- Digital First programme has been established with programme team in place and growing. A clear timeline of work and savings in place. New development platforms now delivering new products.
- Increased profile and presence in the city's digital community to enable the work with City and City region partners including Wired Sussex, Digital Catapult, Brighton University and Sussex University. Establishing cross sector relationships which support the ambitions of the City and channel opportunities to further establish Brighton & Hove as the Connected City. Includes joint development of research and investment bids in support of shared agendas and supporting devolution agenda.
- Early work with Orbis partners to carry out joint procurement and align supply chain where possible. For example joint procurement of Microsoft Licensing Solutions Partner.
- The close linking in of the partnership Digital Resilience project into the Digital First programme, Libraries, Services to Schools and Customer Service Centres work is ensuring that solutions to the risks of digital exclusion are well managed and sustainably implemented.

Second Line of Defence: Corporate Oversight

- Digital First programme approved at Policy, Resources & Growth (PRG) Committee
- * New Tech & IT Board being set up to oversee ICT and Digital First - to be chaired by Chief Executive
- Corporate Modernisation Delivery Board overseeing alignment of programmes and projects to Corporate Plan aims and reviewing any gaps. Includes oversight of ICT Infrastructure, Workstyles and Digital First programmes.
- Digital First Members Oversight Group - quarterly
- Digital First programme board

Third Line of Defence: Independent Assurance

- Internal and External Audit assurance of programme management and Capital Investment strategies.

Effectiveness of Controls – The controls in place are adequate with effective modernisation programmes delivering products and services to meet clear needs

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Development and PRG approval of Information Strategy to ensure a clear strategic vision and governance of how BHCC will balance exploiting the opportunities and value of data and information while protecting the privacy and ensuring value flows to communities.	ICT Business Engagement Manager	10	01/04/18	20/04/17	01/04/18
Ensure development of cross-sector digital partnerships across city and city region.	Chief Technology Officer	100	31/03/17	01/04/16	31/03/17
<p>Comments: Agreed areas of joint focus with Brighton University with new Digital Transformation lead including potential joint bidding opportunities; Leading Places challenge work developing this further.</p> <p>Engagement with Brighton Digital Festival 2017 about two jointly commissioned pieces of work around Open Spaces strategy and digital inclusion Initial work within Digital First on the approach to supplier engagement has been started.</p> <p>The Greater Brighton Digital working group has developed an initial draft of a Greater Brighton digital strategy, which was noted by the Greater Brighton Economic Board, alongside indicative plans for Digital Infrastructure and support for public service reform plans.</p>					
Increase organisational capacity for service transformation by using Digital First team across services and silos to identify efficiencies online	Head of Digital Transformation	80	31/03/18	01/04/16	31/03/18
Product Managers now working across organisation in areas that savings can be made.					

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Information Management - developing and delivering core information practices including customer index, enterprise content management and robust data and record management practices.</p> <p>Comments: July 17 update - Progress on Customer Index is ongoing. ECM (new SharePoint) will initiate discovery phase in Autumn 2017. Data and Records Management practices to be embedded in SharePoint projects and organisational maturity increased as a result of GDPR project work.</p> <p>Initial matched customer index completed, core ECM platform selected, records management support for teams moving under Workstyles completed.</p> <p>Work started with Health & Adult Social Care (HASC) and Health on data management for integrated services including risk stratification and predictive modelling.</p>	ICT Business Engagement Manager	60	31/03/18	01/04/16	31/03/18
<p>Introduce an overarching technology and digital governance board to align priorities, coordinate co-delivery, remove blockers and track benefits</p> <p>Comments: September '17 update: a Tech and Digital Board has been agreed - the first meeting (chaired by Geoff Raw) will be on Sept 25th.</p>	ICT Business Engagement Manager	80	31/08/17	18/07/17	31/03/18
<p>Modernisation project to review use of information and systems in Social Care and Housing service areas</p> <p>Comments: September '17 update: IT&D engagement will be led by a Business Partner from October/November 2017</p>	ICT Business Engagement Manager	10	01/04/18	20/04/17	01/04/18
<p>The ICT Service Redesign is realigning available capacity within budget constraints to most effectively support the organisation's needs.</p>	ICT Business Engagement Manager	100	31/07/16	01/04/16	31/07/16

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Consultation completed, implementation underway, Tier 4 complete, Tier 5 partially implemented but paused , Tier 6 partially implemented new target date March 2017.</p>					
<p>Use new Tech & Digital Oversight Board to review progress, identify interventions where strategic changes on ICT are required, and produce a re-focused IT & D Strategy that aligns the needs of operations, Digital First, and the City.</p>	<p>Executive Director of Finance & Resources</p>	<p>10</p>	<p>31/03/18</p>	<p>06/09/17</p>	<p>31/03/18</p>
<p>Use Orbis to ensure outcomes of ICT Infrastructure Programme are sustainable, embedded and enabling of change within the organisation.</p>	<p>ICT Business Engagement Manager</p>	<p>80</p>	<p>31/03/18</p>	<p>01/04/16</p>	<p>31/03/18</p>
<p>Comments: July 17 Update - migration of email is complete (although gcsx is unlikely to be removed entirely as some recipients still require gcsx mail). Mobile and Skype for business are in trial/testing stage and Onedrive is scheduled for implementation in late 2017. September '17 update: The final phase of the current infrastructure programme relates to the rollout of Skype for Business and Mobile telephony. Skype for Business pilot user group is continuing to test the enhanced Skype policies for video conferencing and Skype voice calls. Rollout is scheduled for Q3. Mobile telephony: 42 Independence at Home users are live with the new managed smartphones. Full rollout will start in October.</p> <p>New security & platform infrastructure now implemented for BHCC and Schools, critical cloud services being migrated, continued migration of priority services to staging environments, new citrix farm built and tested, network interconnect with NHS established, corporate wifi now deployed to HTH and Barts House, shared services wifi now deployed, new laptop services rolled out to HTH users.</p> <p>Microsoft Office 36 service migration planning happening with migration of email. removal of .gcsx and delivery of Mobile, Skype and Onedrive by summer 2017.</p>					
<p>Last Updated: 06/09/2017</p>					

Subject:	Audited Statement of Accounts 2016/17		
Date of Meeting:	19 September 2017		
Report of:	Executive Director of Finance & Resources		
Contact Officer:	Name:	Nigel Manvell	Tel: 29-3104
	Email:	nigel.manvell@brighton-hove.gov.uk	
Ward(s) affected:	All		

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

- 1.1 This report provides information about the audit of the council's 2016/17 Statement of Accounts and recommends approval of the 2016/17 audited accounts and the Letter of Representation on behalf of the council. The report accompanies the Annual Governance Statement previously approved by the Committee in July 2017.
- 1.2 Under the Accounts and Audit Regulations 2015, the council's accounts for 2016/17 must be approved by Members by the 30 September 2017. Under the council's constitution, the Audit & Standards Committee is charged with this responsibility. Note, the statutory deadline will be brought forward by central government to 31 July for the 2017/18 statements.
- 1.3 The council's current external auditors (EY) are required to give assurance that the accounts are free from material misstatement and to report significant matters arising from the audit. EY will be presenting their findings to this Committee through the Audit Results Report (ARR) elsewhere on this agenda, after which they will be able to issue their audit opinion and the accounts will be published.
- 1.4 This report presents the updated 2016/17 accounts following the outcome of the audit process. It outlines the amendments made to the accounts and provides assurances in relation to the preparation of the accounts. It also informs the committee of the outcome of the public inspection of the accounts. Copies of the revised accounts are available in the Members' rooms.

2. RECOMMENDATIONS:

That the Audit & Standards Committee:

- 2.1 Notes the findings of the auditor (EY) in their Audit Results Report (ARR). The ARR is a separate item on this agenda.
- 2.2 Notes the results of the public inspection of the accounts (Section 5).
- 2.3 Approves the Letter of Representation on behalf of the council (Appendix 1).

- 2.4 Approves the audited Statement of Accounts for 2016/17.
- 2.5 Note the acceptance of Grant Thornton as the proposed auditor appointment to Brighton & Hove City Council from 2018/19.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The main legislative requirements relating to the preparation, publication and audit of the council's accounts are contained in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.
- 3.2 It is a requirement that the annual accounts be prepared as soon as practicable after the end of the financial year and considered and approved by a resolution of the committee charged with governance or Full Council by the 30 September. Therefore, the accounts must be published and signed off by the external auditor as soon as reasonably possible after the conclusion of the audit and by the 30 September.

Format of the Accounts

- 3.3 Clearly, local authority accounts are not viewed from a commercial perspective, for example, in terms of an authority's attractiveness for possible merger or acquisition. However, local authorities are viewed in terms of their financial resilience, effective financial management and general viability (going concern). The purpose of the accounts therefore is to provide information to a whole range of stakeholders and the general public about the financial position, financial performance and cash flows of the council and to provide answers to basic questions such as:
- What did the council's services and capital programme cost in 2016/17?
 - Where did the money come from?
 - What does the council own?
 - What commitments does the council have and what provisions and reserves has the council set against these?
 - What amounts were due and what was owed at the end of the financial year?
- 3.4 In accordance with the Accounts and Audit Regulations, the accounts include:
- The Narrative report;
 - Statement of responsibilities;
 - Core financial statements (Expenditure & Funding Analysis (EFA), Movement in Reserves Statement, Comprehensive Income and Expenditure Statement (CIES), Balance Sheet (BS) and Cash Flow Statement);
 - Supplementary statements (Housing Revenue Account and Collection Fund);
 - Notes to the accounts; and
 - Accounting policies.
- 3.5 The narrative report aims to offer interested parties a more readable guide to the most significant matters reported in the accounts. A brief commentary on these key aspects of the 2016/17 accounts is included in Appendix 2 to this report.

- 3.6 The statements would normally comprise both “Single Entity Accounts”, which are in respect of wholly council controlled activities, and “Group Accounts” in respect of activities where the council has a significant interest or share in a subsidiary, associate or joint venture entity. However, there are no activities requiring the preparation of Group Accounts in 2016/17 but next year, treatment of the planned Housing Joint Venture with Hyde Housing will need to be considered in this regard.
- 3.7 EY has completed their work on the audit of the accounts and will be reporting their findings separately to this Committee through the Audit Results Report (ARR). Following this report, EY will normally be able to issue their audit opinion and the accounts will be published.

Preparation of the Accounts

- 3.8 The council is required to prepare its accounts on an International Financial Reporting Standards (IFRS) basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA); the 2016/17 accounts cover the period 1 April 2016 to 31 March 2017. There has been no deviation from the requirements of the Code and all accounting policies adopted by the council for the 2016/17 accounts are in line with the requirements of the Code.
- 3.9 For 2016/17 there are no significant changes in reporting requirements under the Code of Practice and no changes in the council’s accounting policies. A new ‘Expenditure & Funding Analysis’ statement has however been included in the statements in accordance with the code. The guidance states that the EFA *‘is intended to allow a clear link to be made between in-year monitoring, General Fund information and final outturn as set out in the audited financial statements, thus closing the accountability loop from budgets through to outturn’*.
- 3.10 The accounts have been prepared by appropriately qualified and trained council officers who have undertaken appropriate training on the requirements for preparing local government accounts. Finance officers involved in the preparation of the accounts attend regular training and/or workshops to ensure an up to date knowledge and continuous professional development.
- 3.11 Officers have made reference to CIPFA’s practitioner’s guidance notes, disclosure checklists and other technical guidance in preparing the accounts to ensure compliance with all statutory and other regulatory requirements. Officers have also liaised closely, during the preparation of the accounts, with EY over the proposed accounting treatment of the key changes affecting the 2016/17 accounts.
- 3.12 In preparing the accounts, the council makes a number of critical judgements, accounting estimates and assumptions; the details are disclosed in Note 3 of the accounts.
- 3.13 As part of the accounts preparation process, a full review of the financial statements, notes and critical accounting transactions was undertaken by senior officers within Finance. Following this review, the accounts were then approved

by the Chief Finance Officer to be issued for public inspection and audit. Evidence of this review formed part of the working papers produced for EY.

- 3.14 During the accounts audit process, officers liaised closely with EY in respect of audit queries and worked closely to ensure prompt and successful resolution of these queries. During the audit of the 2016/17 accounts, there have been no disputes between council officers and EY in relation to the required amendments to the accounts.

Audit of the Accounts

- 3.15 EY has completed the audit of the council's accounts and their Audit Results Report (ARR) forms part of this committee's agenda. EY are responsible for:
- Forming an opinion on the financial statements;
 - Forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources.
- 3.16 Compilation of the financial statements relies on data extracted from the financial systems, including those systems which interface into the financial system. It is therefore important for EY to be satisfied that these systems have adequate controls in place so that assurance can be given on the integrity of the information held within them.
- 3.17 During the course of the audit, EY identified a number of audit differences which have been discussed and agreed with council officers and amendments have been made to the financial statements for all identified differences.
- 3.18 EY identified 4 material and 9 immaterial 'audit differences' in respect of the valuation of property, plant and equipment resulting in a net downward adjustment of £23.676 million to non-current assets (property). This may seem considerable but to put this in context, the council's total non-current assets are valued at nearly £2 billion, including council house dwellings, and therefore this adjustment is approximately 1.2% of the total value. The accounts have been amended for these audit differences.
- 3.19 The ARR for 2016/17 states that an unqualified audit opinion is expected to be issued and that the council has proper arrangements in place to secure value for money in its use of resources. EY note that the council has a number of comparatively high cost services but is fully aware of the reasons for this and that, in their opinion, this does not adversely affect their value for money conclusion.

Future Appointment of Auditors

- 3.20 Members will remember that the committee agreed, at its meeting of 10 January 2017, to join the sector-led appointment of new auditors following the ending of the current national contracts in 2018. The appointment is being led by the Local Government Association company, Public Sector Audit Appointments Ltd (PSAA), and there are 484 authorities out of a possible 493 that have joined the sector-led procurement process. The procurement process is now complete and the authority has been notified that Grant Thornton was successful in winning one of the 6 lots tendered. The authority has also been notified that PSAA

propose to allocate and appoint Grant Thornton to this authority to be its auditor for 5 years starting with the 2018/19 accounts. The same auditor has also been allocated to Surrey and East Sussex County Councils with whom the council has entered into a shared service arrangement (Orbis). Similarly, the same auditor has been allocated to South Downs National Park Authority to whom this authority provides contracted services. Having a common auditor will provide opportunities for more efficient year-end closure of accounts and auditing processes.

- 3.21 The procurement covered 6 lots valued at circa £35.5m nationally. Grant Thornton are the largest auditor having won Lot 1 valued at circa £14.6m. The procurement process indicates that potential savings of approximately 18% will be made nationally however it is not yet clear how this saving will be reflected in the scale fees for the different types of authority. In addition, the newly appointed auditors will no longer be responsible for the audit of the Housing Benefit Subsidy Claim which is to be subject to separate requirements. It is not clear if the 18% saving takes into account the transfer of responsibility of this audit to local authorities, which will involve additional costs.
- 3.22 Local Authorities have until 22 September 2017 to raise any objection to the proposed allocation of auditors in relation to any potential conflicts of interest. Members are asked to note that Grant Thornton will be accepted as the proposed auditor appointment for BHCC as there is no reasonable objection the authority can raise.

Annual Governance Statement

- 3.23 It is a requirement that the Annual Governance Statement (AGS) is approved annually with the financial statements. The AGS 2016/17 was approved by the committee at its meeting on 25 July 2017.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Under the Accounts and Audit Regulations 2015, the council's 2016/17 accounts are to be approved by the Chief Finance Officer by 30 June and following the audit process are to be approved by Members by 30 September each year. Under Brighton & Hove City Council's constitution, the Audit & Standards Committee is charged with this responsibility.
- 4.2 After the accounts have been made available for public inspection, alterations to the accounts may only be made with the consent of the external auditor, EY. The alterations in this case have received their consent.
- 4.3 The government is bringing forward the statutory deadline for approval of the accounts to 31 July from 2017/18 onward to align local authorities with other public sector bodies. The council has therefore worked with its external auditor to trial early completion of the accounts and audit process this year in advance of this becoming a statutory requirement. This was substantially completed prior to the July deadline with only a small number of queries outstanding. This exercise has provided useful learning and experience that should enable efficient and timely production in 2017/18.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Members of the public, in accordance with the Accounts and Audit Regulations 2015, are granted access for a period of 30 working days to the council's unaudited accounts and are invited to enquire on any aspect of these accounts. If a member of the public is not satisfied with the response received, they are able to lodge a formal objection to the accounts with EY.
- 5.2 The accounts were available for public inspection in council offices or on the council's web site from 12 June to 21 July. The council has received one enquiry from a member of the public and an enquiry from a media organisation (journalist). Responses to the queries have been compiled. No objections have been received.

6. CONCLUSION

- 6.1 It is a statutory requirement of the Accounts and Audit Regulations 2015 that the council's 2016/17 accounts should be approved by Members by the 30 September 2017 and published by the same date.
- 6.2 EY have carried out their audit of the 2016/17 accounts and have reported their findings and recommendations arising from the audit of the accounts as a separate item on this agenda. The main changes resulting from the audit are included in the Audit Results Report to ensure members are aware of the changes to the accounts agreed with EY prior to their approval.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: Mary Grealish

Date: 29/08/2017

Legal Implications:

- 7.2 The legal framework for approving the council's statement of accounts is provided by regulation 9 of the Accounts and Audit Regulations 2015 (statutory instrument 2015/234), relevant details of which are set out in the body of the report.
- 7.3 The Regulations permit either Full Council or a committee of the council to approve the statement of accounts. As noted in the report, in Brighton & Hove it is the Audit & Standards Committee which fulfils this statutory role.

Lawyer Consulted: Victoria Simpson

Date: 29/08/2017

Equalities Implications:

- 7.4 There are no equalities implications arising directly from this report. The accounts are a statutory publication and were made available for public inspection at the council's main offices and on the council's website. Information on the accounts

will, as far as possible, be provided in a manner that meets the needs of those requesting information.

Sustainability Implications:

- 7.5 There are no direct environmental implications arising from this report. However, it is believed that the reputation of the council's financial control framework and its ability to demonstrate sound financial management could have an impact on the willingness of other funding partners to invest in and with the council. This could affect the level of inward investment in respect of projects that contribute towards sustainability.

Any Other Significant Implications:

- 7.6 The quality of a public authority's accounts is of reputational importance and where the auditor gives an unqualified opinion, citizens, partners and other stakeholders can be assured that the accounts present fairly the financial position of the council.

SUPPORTING DOCUMENTATION

Appendices:

1. Letter of Representation
2. Commentary on the Accounts

Documents in Members' Rooms

1. Statement of Accounts 2016/17

Background Documents

1. Unaudited Statement of Accounts 2016/17 (available for public inspection on the council's web site).

Letter of Representation:

Paul King
Ernst & Young LLP
Wessex House,
19 Threefield Lane,
Southampton,
SO14 3QB

This letter of representation is provided in connection with your audit of the financial statements of Brighton & Hove City Council (“the council”) for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Brighton & Hove City Council as of 31 March 2017 and of its expenditure and income for the year then ended in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of the expenditure and income of the council in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the financial statements on a trial early submission basis subject to any material misstatements being identified in the final audit checks.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no

consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We have disclosed to you, and the council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. For accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates are appropriate and the application of these processes is consistent. However, we note the continuous improvement required in relation to asset valuations following a small number of adjusted misstatements.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Comparative information – corresponding financial information

1. Prior year adjustments have only been included in the financial statements to correct material prior year errors.

J. Use of the Work of an Expert

1. Following internal and audit checks, we agree with the findings of the experts engaged to evaluate the valuation of property, plant and equipment. We also agree with the valuation of the pension fund liability by the fund's actuary. We have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours Faithfully,

David Kuenssberg
Executive Director, Finance & Resources

Dated: 19 September 2017

I confirm that this letter has been discussed and agreed at the Audit & Standards Committee on 19 September 2017.

Councillor Joe Miller
Chair of Audit & Standards Committee

Dated: 19 September 2017

Commentary on the Accounts

Balance Sheet (BS)

The Balance Sheet is particularly technical, which is unavoidable given the requirement to observe the Code of Practice and the complex capital accounting, financial instrument and pension reporting standards. There are explanatory notes to the Balance Sheet in the Statement of Accounts.

Non Current Assets

Total non current assets (including current assets held for sale) have increased from £1,878.062 million as at 31 March 2016 to £1,968.285 million as at 31 March 2017. The in-year movement in non-current assets is detailed in note 8 to the core financial statements. The movement of £90.223 million includes the following:

- An increase of £80.359 million in respect of capital expenditure incurred on Property, Plant & Equipment (PPE), heritage assets and intangible assets which reflects the significant capital investments made;
- PPE and heritage assets upward revaluation transactions of £163.434 million;
- Depreciation, impairment and revaluation losses transactions of £141.296 million;
- Upward movement in the fair value of investment properties of £0.733 million;
- Disposal of non-current assets of £13.007 million.

Borrowing

In accordance with the CIPFA Code on Treasury Management, the management of the council's borrowing portfolio is based on a consolidated approach and not by individual services. At 31 March 2017, the council's level of borrowing (including the bank overdraft) was £264.981 million, an increase in the year of £17.911 million. The council has raised new loans of £20.127 million and repaid £3.905 million during 2016/17. Note 10 to the accounts provides further information on borrowings.

Investments

At 31 March 2017, the council held investments of £89.439 million. Investments are made by the in-house treasury team and the council's external cash manager. The council uses an external cash manager to take advantage of investment opportunities in specialist markets not covered by the in-house team, such as government stock.

The level of investment has increased in-year by £9.602 million. The council has placed short term investments of £553.886 million during 2016/17 (including cash equivalents of £497.686 million) and has realised cash from the maturity of short term investments of £544.727 million (including cash equivalents of £493.927 million). Note 10 to the financial statements provides further information on investments.

Pension Liability

The estimated pension liability (net of pension assets) for future pension payments decreased in 2016/17 by £15.382 million from £270.279 million at 31 March 2016 to £254.897 million at 31 March 2017.

There are a number of contributory factors to the significant decrease in the pension liability; these are detailed in the Pensions Liability section of the Narrative Report.

The council also recognises a reserve for the estimated net pension liability. Therefore, amounts included in the council's accounts in relation to post employment benefits have no effect on the council tax requirement as the liability is offset by a Pensions Reserve.

Details of the Pension Liability can be found in note 23 to the financial statements.

Provisions

Provisions have been made in the accounts for liabilities existing at the 31 March 2017 that are reasonably certain and can be estimated with reasonable accuracy. Significant provisions are included for the following:-

- Accumulated Absences – The council is required to make provision for accumulated compensated absences (e.g. annual leave and 'flexi' leave entitlements) that are carried forward for use in future periods if the current period's entitlements are not used in full. The provision as at 31 March 2017 is £3.878 million.
- Voluntary Severance Scheme Provision – The council has made provision in the 2016/17 accounts to meet the costs of expected severance packages resulting from a review of the staffing impacts of approved savings. The provision as at 31 March 2017 is £1.679 million.
- Business Rates Appeals Provision - The council has made provision for its share of the amount that it anticipates to repay ratepayers in the future following successful appeals against the rating lists. The provision as at 31 March 2017 is £2.518 million.

Reserves

The council holds two categories of reserves:

- Unusable Reserves – these reserves derive from accounting adjustments and are not available to the council to use to provide services. They include reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences between what is required from a statutory accounting perspective to be charged to the General Fund and HRA balance and what is required to be funded from council tax, locally retained non domestic rates and general grants. These reserves include the revaluation reserve, pension reserve and the capital adjustment account. The level of unusable reserves as at 31 March 2017 was £1,394.017 million. Note 6 to the accounts provides further information on unusable reserves
- Usable Reserves – these reserves can be used by the council to provide services and/or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. These reserves include the General Fund and HRA working balance, general reserves, capital reserves relating to capital receipts and capital grants received which have not yet been utilised and specific reserves which have been set aside by the council for specific purposes.

The level of General Fund working balance and general reserves held at 31 March 2017 was £11.267 million. The level of working balance and general reserves deemed appropriate by the council's Chief Finance Officer is £9 million, approximately 4% of net budget or 4 weeks council tax income; the balance of funds held at 31 March 2017 has already been committed by the council. In addition, there are also General Fund earmarked reserves of £35.594 million as at 31 March 2017.

The level of HRA working balance stands at £8.060 million as at 31 March 2017, which is in excess of the recommended minimum level of balances of £3 million. In addition, there are also HRA earmarked reserves of £1.327 million as at 31 March 2017. The HRA reserves are primarily ring-fenced for council dwelling provision.

Notes 5 and 7 to the accounts provide further information on usable reserves.

Usable reserves and provisions are reviewed during budget setting and the accounts closure to ensure that there is both the ongoing requirement for funds to be set aside and that the levels are adequate and appropriate.

Collection Fund

The Collection Fund is a separate fund recording the expenditure and income relating to council tax and non-domestic rates.

As at 31 March 2017, there was a surplus of £1.794 million on the Collection Fund in respect of council tax and a deficit of £3.543 million in respect of non-domestic business rates.

Subject:	Ernst & Young – Audit Results Report 2016/17		
Date of Meeting:	19 September 2017		
Report of:	Ernst & Young		
Contact Officer:	Name:	Paul King	Tel: 0118 928 1556 (Ext 41556)
	Email:	pking1@uk.ey.com	
Ward(s) affected:	All		

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

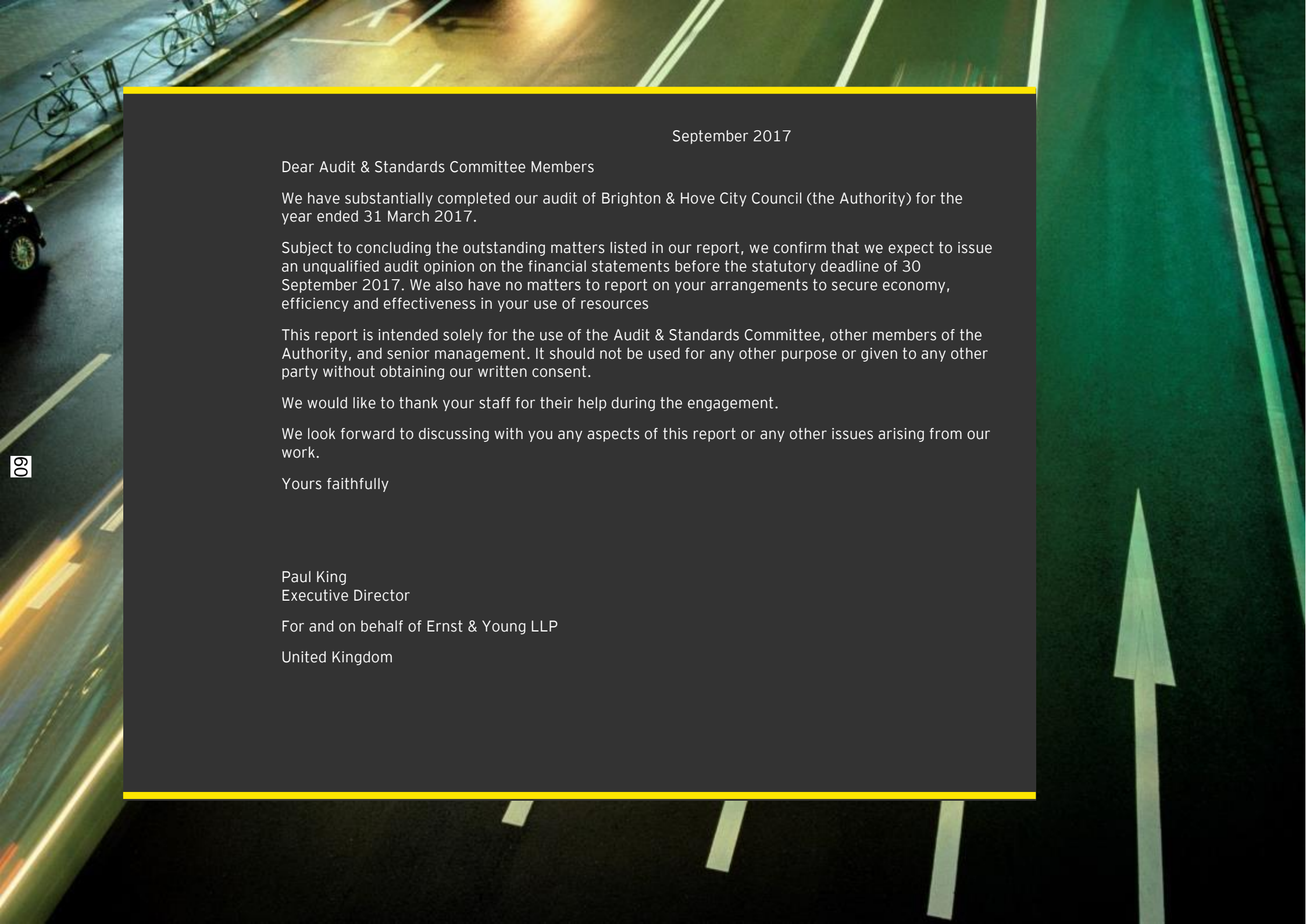
- 1.1 The Audit Results Report summarises the findings of the 2016/17 audit which is now substantially complete. It includes the key messages arising from the audit of the financial statements and the results of work undertaken to assess the Authority's arrangements to secure value for money in its use of its resources.
- 1.2 We propose to issue an unqualified opinion on the Council's financial statements subject to full completion of outstanding areas of work.
- 1.3 We anticipate issuing an unqualified value for money conclusion. We are satisfied that, in all significant respects, Brighton & Hove City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

2. RECOMMENDATIONS:

- 2.1 To note the findings set out in the 2016/17 Audit Results Report.

**Brighton & Hove City
Council
Audit Results Report**

Year ended 31 March 2017



September 2017

Dear Audit & Standards Committee Members

We have substantially completed our audit of Brighton & Hove City Council (the Authority) for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements before the statutory deadline of 30 September 2017. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Audit & Standards Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Paul King
Executive Director

For and on behalf of Ernst & Young LLP
United Kingdom

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- 01 - Executive Summary
- 02 - Areas of Audit Focus
- 03 - Audit Report
- 04 - Audit Differences
- 05 - Value for Money
- 06 - Other Reporting Issues
- 07 - Appendices

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.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 (updated September 2015)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature..

This report is made solely to the Audit & Standards Committee, other members of the Authority and management of Brighton & Hove City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Standards Committee, other members of the Authority and management of Brighton & Hove City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Standards Committee, other members of the Authority and management of Brighton & Hove City Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01 Executive Summary



Executive summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to the January 2017 Audit & Standards Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £16.725m. We reassessed this using the actual year-end figures, which has increased this amount to £16.796m. The threshold for reporting audit differences has increased from £0.836m to £0.840m. The basis of our assessment of materiality has remained consistent with prior years at 2% of Gross Revenue Expenditure.

Status of the audit

We have substantially completed our audit of Brighton & Hove City Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears in Section 3. However until work is complete, further amendments may arise:

- ▶ Completion of review of the Council's PFI Schemes
- ▶ Completion of our work on IAS19 Pensions valuation and disclosures
- ▶ Final review of audit work
- ▶ Review of the final version of the financial statements
- ▶ Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission
- ▶ Receipt of the signed management representation letter
- ▶ Completion of subsequent events review



Executive Summary

Executive summary (continued)

Status of the audit (continued)

We cannot formally conclude the audit and issue an audit certificate until we have determined the objection to the 2015/16 accounts regarding the Authority's Lender Option Borrower Option (LOBO) loans. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Objections and questions from members of the public

Under the Accounts and Audit Regulations 2015 members of the public can, for a period of 30 working days, ask questions of the Authority and raise objections with external auditors.

While we have not received any objections in 2016/17, last year we received one objection to the 2015/16 accounts from a local elector. The objection was on the grounds that the Lender Option Borrower Option (LOBO) loans that the Authority has entered into in earlier years are unlawful, on the grounds that the decision to take out the loans was unreasonable and irrational. We accepted this objection as it met the criteria for consideration, and are considering the issues raised.

We have concluded that the objection does not have an impact on our financial statement opinion or the Value for Money Conclusion. This is because we do not believe that it represents a risk of material misstatement in relation to items in the 2016/17 statement of accounts and we do not consider that the objection indicates the Authority did not have proper arrangements to secure economy, efficiency and effectiveness. However, we are unable to issue our certificate of completion of the audit for 2015/16 or 2016/17 until the objection has been determined. We are currently considering the responses received from the local elector and the Authority to our provisional views.

Audit differences

There are no unadjusted differences arising from our audit.

A number of corrected differences have been identified, including:

- ▶ Hove Town Hall was undervalued by £7.8m on the Balance Sheet, as the valuer had valued it on a Depreciated Replacement Cost basis rather than Existing Use Value basis as required by the Code of Accounting Practice.
- ▶ King Alfred Pool was overvalued on the Balance Sheet by £8.6m. This arose because depreciation on the asset had been calculated using an incorrect asset life.
- ▶ The Keep had been included on the Balance Sheet at its full value. As this asset is shared with East Sussex County Council, who own two thirds of the asset, the Authority should have only accounted for one third of it.
- ▶ Our review of the Fixed Asset Register identified £1.3m of duplicated assets.
- ▶ A number of additional adjustments to the Council's Property, Plant and Equipment balances.

A full listing is contained in the Audit Differences section.



Executive Summary

Executive summary (continued)

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of the financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues;
- ▶ You agree with the resolution of the issue; and
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit & Standards Committee.

Value for money

We have considered your arrangements to take informed decisions, deploy resources in a sustainable manner and work with partners and other third parties. In our Audit Plan we identified a risk that the Authority will not be able to plan its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary

Executive summary (continued)

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We are in the process of completing those procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission and expect to have no issues to report.

We have no other matters to report.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

Please refer to Appendix B for our update on Independence. We have no independence issues to report.



02 Areas of Audit Focus



Areas of Audit Focus

Audit issues and approach: Risk of management override of controls

Management Override of Control

What is the risk?

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.

For local authorities, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.

What did we focus on?

We focused on aspects of the financial statements where management could override controls to benefit the year-end financial position, primarily:

- ▶ Journal entries.
- ▶ Material accounting estimates.
- ▶ Unusual transactions.

What did we do?

We:

- ▶ tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ reviewed accounting estimates for evidence of management bias;
- ▶ evaluated the business rationale for significant unusual transactions; and
- ▶ reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

What are our conclusions?

- ▶ We have not identified any inappropriate journal entries or adjustments made in the general ledger or the preparation of the financial statements.
- ▶ We have not identified any instances of management bias from our review of accounting estimates.
- ▶ We have not identified any significant unusual transactions for which there is not an appropriate business rationale.
- ▶ We have not identified any expenditure on property, plant and equipment which has been inappropriately capitalised.

Overall, our audit work did not identify any evidence of management override of control.



Areas of Audit Focus

Audit issues and approach: Valuation of Land and Buildings

Valuation of Land and Buildings

What is the risk?

The draft 2015/16 financial statements recognised a reduction in the value of Property, Plant and Equipment (PPE) of some £500 million. We challenged this movement both generally and within specific asset categories, including the valuation of land. This resulted in a revised external valuation report which has the effect of increasing the value of PPE by £92.2 million, to reflect local knowledge of the availability and value of land in Brighton & Hove. Due to the significant changes in the valuation reports received in 2015/16, we made a number of recommendations to the Council to ensure appropriate and robust challenge of asset valuations and to ensure early communication with the valuer (including local information). The risk remains that the PPE balance could be materially misstated in 2016/17.

What judgements are we focused on?

We focused specifically on those recommendations to the Council made in 2015/16, which include:

- ▶ the Council should undertake a more robust exercise to challenge the reasonableness of asset valuations; and
- ▶ The Council should ensure that there is early communication with any external valuers with regard to the timeline for 2016/17 and that any specific local information that should be taken into consideration is shared with them in a timely manner.

What did we do?

We

- ▶ ensured the Council had undertaken a robust exercise to challenge the reasonableness of asset valuation provided by their expert;
- ▶ ensured that specific local information that should be taken into consideration had been included in the valuation; and,
- ▶ employed our own expert valuers to review and challenge the work of the Council's valuer.

What are our conclusions?

- ▶ While the Council has undertaken a review of the reasonableness of the valuation provided, we found one asset where an incorrect valuation basis had been used by the valuer. The asset was treated as specialised and therefore valued at Depreciated Replacement Cost, rather than Existing Use Value. This has been amended in the financial statements. These results suggest that while progress has been made, the Council should continue to improve the robustness of the valuation provided by the expert.
- ▶ We were satisfied that specific local information had been considered as part of the valuation. This review highlighted the issue set out above. We were satisfied the Council had undertaken early communication with the external valuer.
- ▶ Our valuers reviewed and challenged the Council's expert. This included:
 - The valuation methodology for operational properties valued on a Depreciated Replacement Cost (DRC)
 - Assessment of Gross Replacement Cost, remaining lives and depreciation
 - Consideration of land values adopted for valuations
- ▶ Whilst some aspects of the valuations could be improved, including: the extent to which assets were inspected rather than subject to a desktop review; the componentisation of assets; and the range of land values adopted (being at the lower end of the range the EY valuer would expect) we are satisfied that these do not affect the overall reasonableness of the valuations and we concluded that sufficient assurance has been obtained over the appropriateness of the work of the Council's expert valuer.

Overall, our audit work led to a number of adjustments to the financial statements in order to ensure the valuation of land and buildings was fairly stated. We consider the control implications of these adjustments in our section on Follow Up of 2015/16 Recommendations below.



Areas of Audit Focus

Other audit issues arising



Pension Valuations and Disclosures

The Code and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £254.897 million (£270.279 million at 31 March 2016).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- ▶ Liaising with KPMG as auditors of the East Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Brighton & Hove City Council;
- ▶ Assessing the conclusions drawn on the work and assumptions used by Hymans Robertson (the Pension Fund actuary) by using and reviewing the work of the Consulting Actuary commissioned by Public Sector Auditor Appointments Ltd for all Local Government sector auditors (PwC); and
- ▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

At the time of writing this report we have concluded our work, but are awaiting a response on some points of detail from KPMG as auditors of East Sussex Pension Fund. Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable.

No other issues have been identified in completing our work.



Follow-up of 2015/16 Recommendations

In our 2015/16 Audit Results Report, we raised a number of recommendations. We have followed these up as part of our 2016/17 audit and report our findings below:

2015/16 Recommendation	EY Findings	2016/17 Recommendation
1. We recommend that the Authority:	During 2016/17 there was early and more engagement between the Council, their largest external valuer, and EY. However our work on	Ensure there is rigorous review of the information provided to expert valuers and the information received from the valuer in order to ensure the basis of the valuation provided is appropriate.



Areas of Audit Focus

<p>a. undertake a more robust exercise to challenge the reasonableness of asset valuations; and</p> <p>b. ensure that there is early communication with any external valuers with regard to the timeline for 2016/17 and that any specific local information that should be taken into consideration is shared with them in a timely manner .</p>	<p>valuations during 2016/17 has continued to identify a range of issues. This includes:</p> <ul style="list-style-type: none"> • the external valuer using the wrong method (DRC rather than EUV); • the external valuer not taking into account the Council's part ownership of two assets; • the external valuer using inconsistent asset lives for different parts of the same asset; and • the internal valuer not sufficiently challenging the valuation reports. <p>This should continue as a recommendation until the Council can produce financial statements without material differences on the valuations of fixed assets.</p>	
<p>2. The bank reconciliation is an integral part of the Authority's control environment and appropriate resource levels should be focused on producing an accurate bank reconciliation that can be agreed to supporting working papers.</p>	<p>Bank reconciliations are performed on a monthly basis and are signed off by the Head of Corporate Financial Services. A reconciliation to the amounts in the year-end Balance Sheet has been included in the relevant working paper.</p> <p>We have not identified any issues with bank reconciliations during 2016/17. This recommendation has been fully actioned.</p>	<p>This recommendation has been fully actioned. No further action is necessary.</p>
<p>3. The Authority should ensure that the working papers to support lease disclosures have been reviewed prior to completion of the draft accounts.</p>	<p>The Council states that all working papers in respect of leases have been reviewed and authorised before being released to EY.</p> <p>Our substantive testing in 2016/17 identified misstatements in the leases disclosures of council as lessee - operating leases. All errors were identified in the property section of the working paper as a result of data extraction issues from Logotech, the property system. The extrapolated error is below SAD.</p>	<p>The Council should undertake rigorous review of its working papers supporting lease disclosures.</p>



Areas of Audit Focus

	Finding errors in one part of the leases disclosure indicates that the recommendation has only been partially implemented,	
4. Authorisation limits, including those of a temporary nature should be adhered to for both purchase orders and non-purchase orders.	<p>The Council state there have been no temporary controls in place during 2016/17. The delegation of authorisation limits for non-order invoices is taken from Authority Purchasing and this is used in conjunction with a Supplementary List which is maintained on a spreadsheet by the Creditors team. An exercise was undertaken by the Creditors team to bring the current list up to date and to arrange for the Creditors service to be added to the leaver's list circulation so the authorisation limits lists can be update as necessary. Review dates of these lists are diarised.</p> <p>However, during 2016/17 our controls testing found multiple failures in the authorisation of non-purchase orders where limits had not been adhered to. This is a similar finding to 2015/16, and raises the risk of unauthorized expenditure.</p>	Ensure authorization controls regarding non-purchase order expenditure are in place and adhered to.



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03 Audit Report



Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRIGHTON & HOVE CITY COUNCIL

Opinion on the Brighton & Hove City Council's financial statements

We have audited the financial statements of Brighton & Hove City Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement and related notes
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund Statement and the related notes
- Other Notes to the Financial Statements
- Expenditure and Funding Analysis and related notes

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Brighton & Hove City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Respective responsibilities of the Executive Director of Finance and Resources and auditor

As explained more fully in the Statement of the Executive Director of Finance and Resources Responsibilities set out on page 22, the Executive Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Finance and Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Brighton & Hove City Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Opinion on other matters

In our opinion, the information given in Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Conclusion on Brighton & Hove City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Brighton & Hove City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Brighton & Hove City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Brighton & Hove City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Brighton & Hove City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack, and until the objection relating to 2015/16 has been concluded. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Paul King
Executive Director
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
September 2017

The following foot note should be added to the audit report when it is published or distributed electronically:

The maintenance and integrity of the Brighton & Hove City Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit Differences





Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We have included all known amounts greater than £0.839m relating to Brighton & Hove City Council in our summary of misstatements below. We will include a full listing of adjusted differences when we complete our audit work.

We highlight the following misstatements in the financial statements or disclosures identified during the audit. These have been corrected by management:

- ▶ Hove Town Hall was undervalued by £7.8m on the Balance Sheet, as the valuer had valued it on a Depreciated Replacement Cost rather than Existing Use Value as required by the code.
- ▶ King Alfred Pool was overvalued on the Balance Sheet by £8.6m. This arose because depreciation on the asset had been calculated using an incorrect asset life.
- ▶ The Keep had been included on the Balance Sheet at its full value. As this asset is shared with East Sussex County Council, who own two thirds of the asset, the Council should have only accounted for one third of it.
- ▶ Our review of the Fixed Asset Register identified £1.3m of duplicated assets.
- ▶ Further valuation issues were identified relating to the following assets:
 - Patcham High School (valuation based upon an incorrect floor area).
 - Maresfield Waste Facility (asset partly owned by BHCC. Full amount was included on Balance Sheet).
 - Portslade Sports Centre Land and Building assets (valuation based on an incorrect site area).
 - Whitesmith Composting Facility (asset partly owned by BHCC. Full amount was included on Balance Sheet).
 - Brackenbury Primary School [Block 1] (valuation based on an incorrect site area).
- ▶ We also identified a number of minor disclosure errors which were amended in the final version of the statements.

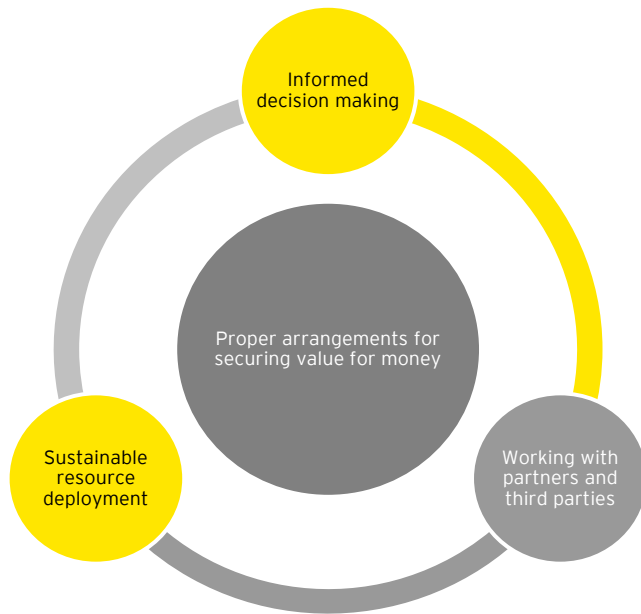
There were no uncorrected misstatements.



05 Value for Money



Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

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 use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We identified one significant risk around these arrangements. The tables below present our findings in response to the risk in our Audit and any other significant weaknesses or issues we want to bring to your attention.

These findings mean we expect to have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money

VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined 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 enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Plan.

What is the significant VFM risk?

What arrangements did this affect?

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

Deploying resources in a sustainable manner

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 children’s 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.

What are our findings?

Reviewing the PSAA’s value for money profile tools to assess Council spending against similar councils:

We reviewed the PSAA’s value for money profile tools which compared the Council to its nearest statistical neighbours. This highlighted a number of areas where the Council’s expenditure is higher than other similar councils. However, many of those areas where the Council is higher spending due to the unique demographic of the population within the Council’s boundary. Adult Social Care is within the highest 10% of statistically similar authorities, while Children’s and Young People Services and Housing Services are in the top 5%. Each of these areas are known to the Council and areas of specific focus. The fact these figures are higher than statistical neighbours does not suggest the Council doesn’t have proper arrangements in place to achieve economy, efficiency and effectiveness.

Reviewing and assessing the assumptions within the 2016/17 budget and medium term financial plan:

- The Council’s Medium Term Financial Strategy (MTFS) 2015-2019 forecast a gross cumulative budget gap of some £102 million up to the end of 2019/20. The Council recognises that reserves cannot, and should not, be used to bridge the base budget gap in the absence of longer term plans to make the necessary savings and we note from the Medium Term Financial Strategy that there is no planned future use of reserves to address budget gaps. Subsequent to the MTFS the Council’s Budget Setting for 2016/17 revised the budget gap to £64 million, the reduction reflecting a number of assumptions including annual Council Tax rises of 1.99% and the 2% Adult Social Care Council Tax precept, and assessing services where funding can be curtailed;



Other matters to bring to your attention

What are our findings (continued)?

As part of the 2017/18 Budget Setting process, the Council also continued the programme of 4 year Service & Financial Plans for the Council's service directorates introduced as part of the 2016/17 Budget Setting process. These plans set out detailed plans for savings to close the revised budget gap of £47 million over the period 2017/18 to 2019/20. Taking the savings plans alongside other measures and changes to revenues and budgets, there is a forecast residual gap for the three years of just under £7 million. The outturn position for 2016/17 as reported in May 2017 was a small underspend of £1.35 million on the General Fund and savings of some £18 million against a target of just under £21 million.

The Council also now plans to ensure that a more commercial approach is taken to contract management; this is in line with good practice and is also designed to offset financial pressures that may arise from demand-led services. The Council has set aside funding into a number of earmarked reserves to manage the impact of future funding reductions, increased budgetary pressures and the cost of organisational redesign. At this point, having reviewed the 2016/17 outturn, the MTFS and the forecast savings from the 4 year Service & Financial Plans, our conclusion is that the Council has put in place arrangements to reduce the budget gap to an acceptable level over the medium term, and that the measures taken during 2016/17 have been both robust and proportionate. It is important that the Council continues with its plans and achieves the forecast savings to cover the budget gap as planned.



06 Other reporting issues



Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/17 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2016/17 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently concluding our work in this area but do not expect to have any matters to report.



Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). Subject to the determination of the objection to the 2015/16 statement of accounts noted above, we did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Brighton & Hove City Council's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits;
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits

We have no matters to report.



Assessment of Control Environment

Financial Controls

Under ISA (UK&I) 265 it is mandatory to communicate significant deficiencies in internal control in writing to any audit client.

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. We have only tested controls in so far as to support our audit opinion. We have therefore not tested the operation of controls in order to inform an opinion on the Councils internal control environment.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

Beyond those issues and associated recommendations arising from our work on Valuation of Land and Buildings and Follow-up of 2015/16 Recommendations discussed elsewhere within this report, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.







07 Appendices



Appendix A

Required communications with the Audit & Standards Committee

There are certain communications that we must provide to the Audit & Standards Committee. We have done this by:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit & Standards Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan - January 2017
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Any significant difficulties encountered during the audit ▶ Any significant matters arising from the audit that were discussed with management ▶ Written representations we have requested ▶ Expected modifications to the audit report ▶ Any other matters significant to overseeing the financial reporting process 	Audit Results Report - September 2017
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <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 	No conditions or events were identified, either individually or together to raise any doubt about Brighton & Hove City Council's ability to continue for the 12 months from the date of our report.
Misstatements	<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 ▶ Significant corrected misstatements, in writing 	Audit Results Report - September 2017



Appendix A

Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Asking the Audit & Standards Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit Standards Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, where 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/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report.
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the Audit & Standards Committee whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have no matters to report.
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	We have no matters to report.
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations.



Appendix A

Our Reporting to you

Required communications	What is reported?	When and where
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on “tipping off” ▶ Asking the Audit & Standards Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit & Standards Committee. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	We have no matters to report.
Independence	<p>Communication of all significant facts and matters that have a bearing on EY’s objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner’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 on the firm’s general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	Audit Plan - January 2017 Audit Results Report - September 2017
Fee Reporting	Breakdown of fee information when the audit plan is agreed. Breakdown of fee information at the completion of the audit. Any non-audit work.	Audit Plan - January 2017 Audit Results Report - September 2017
Certification work	Summary of certification work	Certification Report - Expected January 2018



Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated January 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit & Standards Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit & Standards Committee on 24 July 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Opinion Audit & VFM Conclusion	TBC	158,550	158,550	TBC
Total Fee - Code Work	TBC	158,550	158,550	TBC
Certification of Claims and Returns	13,898	13,898	13,898	16,957
Non-audit work	0	0	0	0




Notes: the final 2015/16 fee is subject to the determination of the objection to the accounts. The 2016/17 fee is subject to the impact of the additional work that we have carried out on Property, Plant & Equipment.



Appendix C

Outstanding matters

The following items are outstanding at the date of this report:

Item 	Actions to resolve 	Responsibility 
Completion of a small number of procedures relating to Property, Plant & Equipment.	EY to work with management to respond to additional procedures arising from errors identified.	EY and management
Review of responses from EY's PFI Expert	EY to review response and follow-up any matters arising.	EY
Review of final version of financial statements.	EY to review once all audit amendments have been included.	EY & Management
Completion of Whole of Government Accounts procedures.	EY to complete.	EY
Management representation letter	Receipt of signed management representation letter.	Management
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management





Appendix D

Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit & Standards Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Brighton & Hove City Council 
<i>IFRS 9 Financial Instruments</i>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured ▶ How the impairment of financial assets are calculated ▶ Financial hedge accounting ▶ The disclosure requirements for financial assets. <p>▶ Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets ▶ Remeasure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items
<i>IFRS 15 Revenue from Contracts with Customers</i>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ for local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>▶ There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.</p>	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none"> ▶ Disaggregate revenue into appropriate categories ▶ Identify relevant performance obligations and allocate income to each ▶ Summarise significant judgements



Appendix D

<p><i>IFRS 16 Leases</i></p>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p>
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Appendix E

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young
Wessex House,
19 Threefield Lane,
Southampton
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Brighton & Hove City Council ("the Council") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Brighton & Hove City Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:



Management representation letter

Management Rep Letter

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [\[specify reasons for not correcting misstatement\]](#).

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.



Appendix E

Management representation letter

Management Rep Letter

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- ▶ Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

- ▶ Additional information that you have requested from us for the purpose of the audit; and

- ▶ Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council and committees held through the period to the most recent meeting on the following date: 24 July 2017.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.



Appendix E

Management representation letter

Management Rep Letter

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 17 to the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the Valuation of Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

To be signed by the Executive Director of Finance & Resources and the Chairman of the Audit & Standards Committee

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ED None

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Subject:	Internal Audit and Corporate Fraud Progress Report		
Date of Meeting:	19 September 2017		
Report of:	Executive Director, Finance & Resources		
Contact Officer:	Name:	Mark Dallen	Tel: 29-1314
	Email:	Mark.Dallen@brighton-hove.gcsx.gov.uk	
Ward(s) affected:	All		

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

1.1 This purpose of this report is to update and provide assurance to the Audit & Standards Committee that:

- the internal audit and corporate fraud teams are on target to deliver the audit and corporate fraud strategy and plan for 2017/18;
- the council is dealing with governance and control weaknesses appropriately.

1.2 The report summarises:

- the progress made against the Internal Audit and Corporate Fraud Plan;
- the results of work undertaken for the year to date;
- progress made by management in implementing audit recommendations.

2. RECOMMENDATIONS

2.1 That the Audit & Standards Committee note the report.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 The Audit & Standards Committee approved the Internal Audit and Corporate Fraud Plan on 7 March 2017. The report detailed the planned audit and corporate fraud activities for 2017/18, and the measures of delivery.

3.2 Since setting the plan some changes to the resourcing of the service have occurred including the deletion of the post of Head of Internal Audit. This post has been replaced by an Orbis Chief Internal Auditor (Russell Banks) who leads the service across East Sussex and Surrey County Councils as well Brighton & Hove City Council. Day to day management of the service at Brighton & Hove City Council is undertaken by Mark Dallen, Audit Manager.

3.3 Resources remain sufficient to deliver the planned activities for the year.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

Progress against the audit plan

- 4.1 Internal Audit is on target to deliver 90% of the approved audit plan as per the key performance indicator. For the year to date 15 of the 49 audit reviews have been completed (30%). Of these 11 reports have been finalised as per table 1 below.

Table 1 – Audits delivered for the financial year 2017/18 to date

Audit	Opinion Given*
Employee Vetting and Recruitment	Reasonable Assurance
Public Consultations	Reasonable Assurance
Active Directory – User Management	Partial Assurance
Lift Maintenance Contract (Housing)	Substantial Assurance
Purchasing Cards (Follow-up)	Reasonable Assurance
School Audits x 3	Partial Assurance x 2 Minimal Assurance x 1
Business Continuity Planning	Substantial Assurance
Youth Employability Service	Substantial Assurance
Contract Waivers	Substantial Assurance
Troubled Families – Grant Claim	Grant claim certified
EU Interreg Grant Scape	Grant claim certified

*Appendix 1 provides a definition of these audit opinions.

- 4.2 Further information on each of these reports including the scope and main conclusions is provided in Appendix 2.

Progress against the counter fraud plan

- 4.3 The Corporate Fraud Team has a number of different work streams to deliver during 2017/18. Progress to date is detailed in table 2 below.

Table 2 – Corporate Fraud outcomes for the financial year 2017/18 to date

Main areas of service delivery	Outcomes delivered for the year to date
Housing Tenancy and Right to Buy Fraud	Seven properties have been returned to stock so far and 26 Right to Buy cases have been stopped. Three cases were also identified where there was no duty to house the applicant.
Investigating and pursuing fraud in other high priority areas	Employment investigations have so far resulted in the dismissal of four employees. Investigations into residents parking permits have resulted in six permits being cancelled or returned. Rent rebate overpayments totalling £31,000 have been identified and £9,000 in Council Tax Reduction/Council Tax Exemptions/Discounts.
Data matching	The Corporate Fraud Team are continuing to review the data

	<p>matching reports that were produced as part of the National Fraud Initiative 2016 exercise.</p> <p>The team are also are also scheduling an additional exercise to match deceased persons records from the DWP to Blue Badges, residents Parking Permits and Housing Tenancy data.</p>
--	---

Additions and Deletions to the approved internal audit plan

4.4 The following audits have been added to this year's audit plan.

Audit Additions	Requested by
HRA Estate Development Budget	Executive Director (NCH)
Adult Social Care Income and Assessments	Executive Director (F&R)
Concessionary Fares	Executive Director (EEC)

4.5 The following audits have been deleted from this year's plan.

Audit Deletions	Rationale
Highways Asset Valuation	National requirement for assets to be revalued has been placed on hold.
Major Capital Projects (Housing development initiatives)	Substantial assurance was given by the Housing New Builds Audit in 2016/17. Agreed with Executive Director (EEC) that audit is not required at this year.

Other Work

4.6 We have continued to provide advice and guidance to individual services and schools (including the issue of bulletins to schools) to promote effective governance and financial management.

4.7 The service has also provided resources on an ongoing basis to support the integration with the internal audit and counter fraud service with East Sussex and Surrey County Council's, as well as supporting the development of governance arrangements for the wider Orbis programme.

Progress made in implementing recommendations

4.8 The percentage of recommendations implemented within target is closely monitored and compiled on a quarterly basis for reporting to ELT. As at the end of quarter 1 (30 June 2017) 86% of recommendations due had been implemented (see table 3 below).

Table 3 – implementation of audit recommendations (as at 30 June 2017)

Period to:	Audit Recs Due	Database not updated by managers	Not Implemented (or less than 50% implemented)	Implemented (includes part implemented > 50%)	Implemented (%)
30 June 2017	253	13	22	218	86

4.9 This is better than the rate reported at a similar time last year (82%) but is lower than the target of 90%.

4.10 Although the overall implementation rate was 86% the figure for high priority recommendations is only 75%. The high priority recommendations that have not yet implemented are set out in table 4 below. Internal Audit will continue to work with ELT and other senior managers to ensure that all audit recommendations are given sufficient attention, particularly those judged as high priority. We will also continue to report progress in these areas on a regular basis to this committee.

Table 4 – high priority recommendations due by the 30 June 2017 not yet implemented

Audit/Recommendation	Directorate	Due date	Progress
<u>IT Waste Disposal</u> Review and where necessary revise the "Contract for the disposal of ICT Waste" to maintain compliance with the regulatory requirements for electronic waste as well as compliance with the information security requirements placed upon the named contractor	F&R	31/3/17	Work is underway to update the contract to reflect this recommendation
<u>Residents Parking Permits</u> All renewal applications should be validated (electronically if possible) to ensure evidence of ongoing eligibility is confirmed.	EEC	30/6/16	The service is still working on this. At the moment the online permit system only validates customers when they register accounts. The first renewals for the new schemes on the system will not happen for three months so that will be a critical time to work with Digital First to ensure an internal system is put in place. The service will operate spot checks for some high risk Central Brighton areas as an interim control.
<u>Residents Parking Permits</u> Parking should ensure that any improvements to the verification process are extended to the	EEC	30/6/16	New system arrangements are being applied to customers buying visitor permits with verification when they create

processing of all other relevant permit types where residency is a condition of issue.			new accounts. Once all the parking schemes have been put in the system (next phases likely to be November 2017 / and January 2018) the service will look at applying to other permits where residency is a condition of use.
<u>Residents Parking Permits</u> All applications (whether physical or electronic) should be adequately retained to enable easy retrieval in the event that this is required.	EEC	30/6/16	The new online permit system once implemented will retain a full application history along with records of any document uploads where customers have failed the automated id check and need to be manually verified by staff.
<u>Debtors</u> Services will now be provided with schedules showing debts outstanding and the stage of recovery on a regular basis, in accordance with the Corporate Sundry Debt Management procedure.	F&R	30/6/17	Reports are provided for some areas but still need to be developed and rolled out to a much wider number of services.
<u>Cybersecurity</u> Conduct a pro-active Cyber Security risk identification review and communicate results within the corporate reporting to the Information Governance Board.	F&R	30/6/17	This exercise was planned to coincide with the results of our recent pen-tests. The service have now received the written reports and are actively working on the risk assessment and anticipate presenting to Information Governance Board when it meets next in October 2017. At a high level, key risks were verbally communicated to the SIRO at the last monthly meeting.
<u>Cybersecurity</u> Develop and implement a holistic Cyber Security policy which aligns to Cyber Security Good Practices.	F&R	30/6/17	This action has not yet been completed but will be finalised in September for presentation to the information Governance Board in October 2017.
<u>Temporary Accommodation Voids & Overpayments</u> Establish and set out clearly an overview of the process and responsibilities for managing voids including monitoring, clearing, escalating voids and recovering void losses	NCH	30/4/17	Procedures are in the process of being drafted.
<u>Life Events Income</u> Financial reconciliations should be completed and independently	SGL	31/3/17	An interim arrangement has been developed which is enabling a monthly

reviewed and verified recording responsible officers			reconciliation to take place. A more streamlined process is being introduced as a result of a detailed review of current reconciliation processes.
<u>Computing Facilities</u> Implement an IT Policy governing the physical security measures to be taken to protect computing facilities	F&R	31/1/17	This work will be informed by the results of the recent pen-test exercise with the aim is to have the policy written for the Information Governance Board in October.
<u>Housing Electrical Works</u> Recommendations were made that the service should review and resolve (in conjunction with the contractor) discrepancies between work carried out and the charges for electrical work under the housing repairs contract.	NCH	30/9/16	A narrative update on progress to date is provided in Appendix 3.

We continue to work with ELT and other senior managers to ensure that all audit recommendations are given sufficient attention, particularly those judged as high priority.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 None.

6. CONCLUSION

6.1 The Committee is asked to note the report.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 It is expected that the Internal Audit and Corporate Fraud Plan 2017/18 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: 07/9/17

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.

Equalities Implications:

- 7.3 There are no direct equalities implications.

Sustainability Implications:

- 7.4 There are no direct sustainability implications.

SUPPORTING DOCUMENTATION

Appendices:

1. Audit Opinions and Definitions
2. Commentary on Finalised Reports
3. Commentary on progress on Housing Electrical Work discrepancies

Documents in Members' Rooms

1. None

Background Documents

1. Internal Audit and Corporate Fraud Strategic Plan 2017/18

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Commentary on Finalised Reports

Employee Vetting and Recruitment – Reasonable Assurance

The audit was to determine that recruitment processes ensure that all appointments are made in accordance with approved procedures, and that controls are in place to prevent the appointment of individuals with relevant convictions or those with false identities or no right to work.

The review provided assurance that most controls are in place and are operating as expected to manage key risks.

Areas of improvement included that;

- HR records include essential qualifications all staff.
- There are improved controls over the monitoring of the expiry of right to work visas.

Public Consultations - Reasonable Assurance

The scope of this audit was to ensure that there is a clear policy on the type of issues to consult and or engage on, that consultations incorporate all relevant people and groups and that there are effective feedback mechanisms in order to demonstrate how views have been taken into account.

The review provided assurance that most controls are in place and are operating as expected to manage key risks.

Areas for improvement included;

- A need to improve awareness of the existing Community Engagement Framework.
- Equalities Impact Assessments not being incorporated in all consultations.
- Over-reliance on the online consultation portal which could mean that responses to consultations are limited to the same people.

Active Directory – User Management - Partial Assurance

Active Directory provides the authentication and authorisation mechanisms for users to gain access to the Council network, information assets, and applications. It is therefore vital that controls are in place to ensure that accounts are only provided to authorised, and current staff members and those levels of access are commensurate with their role and Data Protection requirements.

The review found that there were some controls not working effectively to manage access to the Council network, information Assets, and applications.

The report includes 8 medium priority recommendations for improvement.

Lift Maintenance Contract (Housing) – Substantial Assurance

This audit was restricted to reviewing the controls in place for the management of the lift maintenance contract relating to the council's housing stock.

Our testing provided assurance that the contract is appropriately managed and monitored both for maintenance and new lift installations.

Purchasing Cards (Follow-up) - Reasonable Assurance

The purpose of the audit was to ensure that controls are in place to ensure that all purchases are properly reviewed and authorised, and that evidence of non-compliance or potential fraudulent activity is effectively monitored.

The review was a follow-up which found that there has been a significant improvement in the control framework since the Limited Assurance report in October 2016.

Four recommendations were made to further improve on the controls now in place.

School Audits x 3

The schools identified for audit have been determined through a risk assessment which considers the date of the last audit, the Schools Financial Value Standard (SFVS) returns and known budget issues.

Three school audits have been completed for the year the date. These schools were:

Middle Street Primary School – Partial Assurance
Varndean Secondary School – Partial Assurance
St Bartholomew's C E Primary – Minimal Assurance

Each schools audit covers the wide range of financial governance, management and administrative activities carried out at each school.

Key areas for improvement identified from the three audits above included:

- a need to address increasing budget deficits
- a need for improvements to budget monitoring, forecasting and reporting
- poor controls over cash income and debt management
- weak purchasing controls
- insufficient oversight of voluntary funds;
- a need for improved arrangements for declarations of interest.

Business Continuity Planning – Substantial Assurance

The audit was a review of the Council's strategic and tactical capability to plan for and respond to incidents and business disruptions.

The review found that controls are in place and are operating as expected to manage key risks.

The audit was a follow-up of the 2016/17 audit that had identified control shortfalls and concluded Limited Assurance. It found that strategic, and operational Business Continuity plans (BCPs) have now been produced for each identified service and that all directorate plans have business continuity as a standing item. It also confirmed that qualitative testing of operational BCPs is being undertaken, and processes to ensure regular updates are in place. Where there are shortfalls with existing plans these are being identified by the service.

Youth Employability Service – Substantial Assurance

There were no significant findings from this review which was to provide assurance that

- Information, advice and guidance are efficient, effective and demonstrate positive outcomes.
- IT systems and processes are fit for purpose; including how data is obtained from schools and colleges.
- Data is accurate, complete and processed in a timely way.
- Reporting on budget and performance is robust.

The performance of the YES team in ensuring that all young people have an offer of learning has improved year on year between 2014 and 2016, and also compares favourably with the latest national figures.

Contract Waivers – Substantial Assurance

Contract standing orders (CSOs) are the key internal regulations governing purchasing and tendering in the council but can be legitimately waived by officers in some specific circumstances.

The review found that controls are in place and are operating as expected to manage key risks.

Findings in our 2016/17 audit had previously resulted in a limited assurance conclusion. This audit found that key recommendations had been implemented including improved guidance and documentation, a reduction in repeat waivers and appropriate officer authorisation. There is also evidence of improved scrutiny of waiver requests and a reduction in the value of waivers approved.

Troubled Families – Grant Claim – Assurance Level - Not Applicable

The Internal Audit service is required to check and certify each of the council's claims to the DCLG under the Troubled Families Programme. This includes detailed validation of the outcome data held on a sample of families for each claim.

No significant issues were identified in the grant certification.

EU Interreg Grant Claim (SCAPE) – Assurance Level - Not Applicable

This is one of three EU Interreg projects that require grant certification on an annual basis.

The full project title is “Shaping Climate change Adaptive PlacEs”. The total project costs over the next 4 years are in excess of £400,000.

No significant issues were identified in the grant certification.

Commentary on progress on Housing Electrical Work discrepancies

A 2016/17 internal audit report confirmed that discrepancies identified between work carried out and the charges for electrical work under the housing repairs contract required further review. This outcome of the audit was reported to Audit and Standards Committee in November 2016.

The examination of these issues has proved to be a complex exercise and has taken much longer than originally envisaged. We understand that the Housing Service has been working with Mears to more clearly understand and resolve these and address any ongoing matters. Work is still in progress which includes inspection visits as well as the validation of data and other information. The inspections are expected to be complete by the end of September 2017 at the latest.

A more detailed update report, covering the outcomes from this work and the actions taken to resolve any issues arising will be provided to the next Audit and Standards Committee in January 2018

Subject:	Code of Conduct for Employees		
Date of Meeting:	19 September 2017 – Audit & Standards Committee 2 November 2017- Full Council		
Report of:	Head of Law & Monitoring Officer		
Contact Officer:	Name:	Abraham Ghebre-Ghiorghis	Tel: 01273 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 The purpose of this report is to seek this Committee's approval for a number of amendments to the council's Code of Conduct for Employees.
- 1.2 These amendments have been made in response to:
- recommendations made by Internal Audit
 - the introduction of the new staff Behaviour Framework designed to underpin the council's Values and
 - the implementation of a number of new corporate council policies.

2. RECOMMENDATIONS:That the Audit & Standards Committee:

- 2.1 Agree the council's revised Code of Conduct for Employees as set out in Appendix 1.
- 2.2 Resolve to recommend the Code to Full Council for approval.

That Full Council:

- 2.1 Approve the revised Code of Conduct for Employees as set out in Appendix 1

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The council's Code of Conduct for Employees forms part of the council's Constitution and is a key part of the organisation's corporate governance arrangements. It is periodically reviewed to ensure it remains up-to-date and fit for purpose and was last amended in 2013.

- 3.2 The recent review was prompted by:
- revisions to a number of key corporate policies aimed at strengthening the organisation's corporate governance arrangements
 - the need to respond to several recommendations made by internal audit relating to the declaration of interests, gifts and hospitality by staff and
 - the introduction of the new Behaviour Framework for staff.
- 3.3 As a result, a number of new sections have been added to the Code. These are:
- Close personal relationships at work
 - Personal conduct
 - Equality & diversity
 - Information Governance & Use of ICT
 - Reporting criminal offences and
 - Legacies.
- 3.4 The proposed Code of Conduct for Employees is set out in Appendix 1, with amendments noted as tracked changes.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 There are no alternative options for the Committee to consider. Members of the public are entitled to expect the highest standards of conduct from all employees who work for the council. However, this can only be ensured if the organisation has a Code of Conduct for staff that is relevant and fit for purpose.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The council's recognised Trade Unions, Unison and GMB, have been consulted on the proposed changes to the Code.

6. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 6.1 It is not expected that the revised Code of Conduct will have any direct financial implications for the council.

Finance Officer Consulted: Peter Francis

Date: 17/08/2017

Legal Implications:

- 6.2 The changes to the council's Constitution which are described in this report must first be considered by Audit & Standards Committee (in accordance with the terms of its delegated powers) and then referred to Full Council for approval

(Article 13.03 of the Constitution refers). This requirement is reflected in the recommendations above.

Lawyer Consulted: Victoria Simpson

Date: 25/07/2017

Equalities Implications:

6.3 There are no specific equalities implications arising from this report.

Sustainability Implications:

6.4 None

Any Other Significant Implications:

6.5 There are no other significant implications arising from this report.

SUPPORTING DOCUMENTATION

Appendices:

1. Proposed Code of Conduct for Employees.

Documents in Members' Rooms

None.

Background Documents

None.

CODE OF CONDUCT FOR EMPLOYEES

Please take time to read this Code and make sure that you understand it. If you are unclear or want to know something specific, talk to your manager or ~~your human resources division~~ Human Resources.

Introduction

You are employed by Brighton & Hove City Council and that means that you are a Local Government Officer. You and the services you provide are paid for by public money and therefore you are accountable to the public for your behaviour, actions and decisions. You must not only behave properly, you should also be seen to behave in a way that is beyond question.

The Council recognises that working in a public service is not easy. Every area is changing and it may be unclear to you what is acceptable and what is not. This Code is intended to explain your responsibilities and your rights as an officer.

As a council officer you are expected to achieve your personal best for our customers and for the city. To ensure that you understand what this means, the council has adopted six values that describe what you should aim to accomplish in the way you carry out your job. These are:

- **Respect:** Embrace diversity with kindness and consideration and recognise the value of everyone
- **Collaboration:** Work together and contribute to the creation of helpful and successful teams and partnerships across the council and beyond
- **Efficiency:** Work in a way that makes the best and most sustainable use of our resources, always looking at alternative ways of getting stuff done and asking, 'How can I improve that?'
- **Openness:** Share and communicate with honesty about our service and self, whenever appropriate. Accept where we have to change in order to improve
- **Creativity:** Have ideas that challenge the 'tried and tested', use evidence of what works, listen to feedback and come up with different solutions
- **Customer Focus:** Adopt our 'Customer Promise' to colleagues, partners, members and customers. We will be easy to reach, be clear and treat you with respect, listen and act to get things done

This Code of Conduct underpins and the council's Behaviour Framework underpin these six organisational values by setting out- in more detail the standards of behaviour expected of you as an officer whilst you are carrying

out your duties. There are other Codes which are important for you to understand and which you should read alongside this one:

The Code of Conduct for Member–Officer Relations

This deals with the relationship between you and Members of the Council (Councillors)

The Code of Conduct for Members

A local code setting out standards of conduct and behaviour for Members of the Council

The Whistleblowing Policy

This sets out a procedure for you to report actions, wrongdoings or serious failures

The Complaints Procedure

A procedure for members of the public to complain about services or actions of the Council

~~The Anti-fraud and Corruption~~

~~-Counter-Fraud Strategy & Framework~~

~~The Council's commitment to fighting fraud and corruption whether attempted from outside or inside the Council.~~

~~This sets out the council's commitment to creating a zero tolerance to fraud and maintaining high ethical standards in its administration of public funds. The policies and procedures within the framework set out the roles and responsibilities of staff in countering fraud and how they can report concerns.~~

~~The Acceptable Use of ICT Policy~~

~~-Information Governance Policies~~

~~A policy which sets the parameters for the appropriate work and personal use of Information and Communications Technology.~~

~~A suite of policies, procedures and processes that govern how the council manages its information so that it complies with its legal, regulatory and operational requirements. They set out employees' personal responsibilities, particularly in relation to the use of ICT and the processing and safeguarding of information.~~

The Social Networking Policy for Employees

A policy which governs the use of social media in both the work and personal use contexts.

Scope

This Code of Conduct applies to you if you are an employee of Brighton & Hove City Council, whether employed on a permanent, temporary or casual basis, or if you are an officer holder. All officers must follow this Code. Deliberate breaches of the Code will be treated as a disciplinary offence. In some cases a breach of the Code may result in criminal prosecution. This code contains the following:

Section 1	Basic principles/definitions
Section 2	Political neutrality/activity/restricted posts
Section 3	Council policies and legal requirements
Section 4	Outside commitments/Working Time
	Directive/declaration of interests
Section 5	Membership of closed organisations
Section 6	Tendering/dealing with contractors
Section 7	Using your position in the council
	Close personal relationships at work
Section 8	Personal conduct
Section 9	Equality and diversity
Section 10	Corruption, fraud and dishonesty
Section 9 11	Use of council facilities/resources
Section 10 12	Information Governance & Use of ICT
Section 11 13	Reporting of criminal offences
Section 14	Legacies
Section 15	Inventions/patents/copyright etc./conferences
Section 12 16	Appointing staff/discipline & grievance
Section 13 17	Gifts
Section 14 18	Hospitality
Section 15 19	Sponsorship, giving or receiving
Section 16 20	Information, openness and confidentiality
Section 17 21	Financial resources/regulations
Section 18 22	Role of the Monitoring Officer
Section 19 23	Raising concerns
Section 20 24	Responding to complaints
Section 21 25	Useful information

Basic principles & definitions

1.1 The basic principles on which this Code is built are that:

- you, your family and/or your friends must not gain financial or other benefits from the decisions or actions you take whilst working for the Council
- you must make decisions, which are in the Council's best interests and must award contracts and choose purchases and award contracts on merit and in the best interests of accordance with the Council's policies and procedures

- you will not accept money or other benefits from individuals or organisations that may, or may be seen to, influence your decisions
- you should always declare any interests you have outside work that relate to your work for the Council. You must always think how your actions would look to the residents of Brighton & Hove. Would they be seen to be in the best interests of the public? Would you be able to explain your role?

1.2 If you are at all uncertain, you should be guided by the key principle that even if your actions, decisions or behaviour are proper, you **are still sure need to ensure** that you are above suspicion and **any there is no** appearance of improper conduct.

1.3 If you are unsure what is expected, you **can should** raise the matter with your manager, Executive Director, the Chief Executive, the Head of Human Resources & Organisational Development, the Council's Monitoring Officer or **the Head of Internal Audit & Business Risk**. (A list of contact numbers is given at the back of this Code.)

Definitions

1.4 Throughout this Code there are references to partners, close friends, relatives, **and** close personal relationships.

1.5 All of these are in the context of you having a loyalty to another person that is in conflict with the job or action in which you are involved for the Council.

1.6 There is no formal definition of 'close personal friend' **or and the term "partner" may include whether partner includes** ex-partners with whom you are still friends.

1.7 It is your responsibility to act openly, honestly and without bias. You must assess **if whether** a relationship may cause you to act, or be seen to act, inappropriately.

1.8 This Code is not an **exclusive exhaustive** or definitive list **and is not a substitute for employees applying common sense when determining what is and what is not acceptable behaviour**.

2. Political neutrality

2.1 As an officer you work for the Council as a whole and not just the majority (or leading) group. Although most staff will have very little direct contact with Councillors, some staff will be asked to give advice to individuals or to Committees. This must always be done in a politically neutral way and you must be prepared to explain your advice to all political groups. You should **also** bear in mind that you may be

called upon to explain your account for your advice.~~for example to an overview and scrutiny committee.~~

2.2 You should also refrain from making political comments in public or on social media.

2.3 Once a policy has been approved ~~through the~~ whether by a Committee or by Full Council ~~stages as appropriate~~, it is a lawful policy of the whole Council and must be adopted by you, regardless of your beliefs. You must not allow your personal or political opinions to interfere with your work. If you believe that a policy is unlawful, you should contact your Executive Director or the Monitoring Officer.

2.34 If you are asked by a Councillor to provide assistance on a matter that you feel is clearly political, or which does not have a clear link with the work of the Council, you should seek the advice of your Executive Director or the Monitoring Officer.

2.45 If you are asked to attend any meetings of any political group of the Council, you should consult your Executive Director before accepting the invitation.

Political activity

2.56 You are not eligible to stand for office as a Councillor of Brighton & Hove City Council, but you may stand for office ~~of~~ in another Council providing you are not in a politically restricted post (see paragraph below).

Politically restricted posts

2.67 Some officers, normally those in more senior positions, are in posts where political activity is restricted through the Local Government and Housing Act 1989. This Act prevents them from taking part in certain political activities outside their work. If this applies to you, you should have been informed in writing, ~~although and~~ it may be included in your ~~statement of terms and conditions~~ contract of employment. You should, if this is the case, have been informed of the rules for claiming exemption. If you are not sure about your position, you should contact your manager or Human Resources.

2.78 The political activities which are restricted for these officers include:

- standing as a Member of Parliament, Member of the European Parliament or a Councillor in any local authority (other than a Parish Council)
- holding office in a political party at any level, (except in limited roles concerned only with the internal membership of the party)
- canvassing at elections

- speaking in public or publishing any written or artistic work which appears to be intended to influence public support for a political party.

2.82.9 You need to be aware of your position in terms of political activity. If you are not sure whether an activity is subject to 'political activity restrictions', you should seek advice from your Executive Director or Head of Human Resources & Organisational Development, who will consult the Monitoring Officer if necessary.

2.92.10 Violation of the statutory rules is a breach of contract and will render you liable for investigation under the Council's Disciplinary Procedure.

3. Council policies and legal requirements

3.1 As a Council officer, you must ~~know~~ ensure you are familiar with the legal or statutory requirements of your job, ~~and~~ You must work within this framework and generally in such a way as to comply with the Council's policies and procedures at all times.

3.2 All members of the local community, service users and officers have the right to be treated fairly and impartially. As a Council officer you must comply with all Council policies relating to equalities issues and to the other requirements of the law: (see also section 9 of this Code).

4. Outside commitments/ Working Time Directive and declaration of interests

4.1 Your first work commitment is to the Council. If your job is graded at Scale SO1 (or its equivalent) or above, you should not engage in any other business or take up an additional appointment without written permission from your manager. If you are allowed to undertake work outside the Council, you must not use the Council's facilities for that work.

4.2 The Council is required to take all reasonable steps to ensure that workers do not exceed the maximum hours per week. The statutory maximum hours per week [as laid down by the Working Time Directive] is an average of 48 hours over a 17 week period, extended in certain circumstances to a 26 or 52 week period. Whatever your grade or position, the Council has a responsibility to ensure that you do not exceed the statutory maximum hours per week. If you have, at the time of appointment, or subsequently obtain, other employment you should declare this to your immediate manager. Normally, the Council will not seek to prevent you from working more than the statutory maximum but it will want you to confirm, in writing, that this your choice.

4.3 In addition to the statutory maximum, if you are above school leaving age but under 18 years and working a total of 4.5 hours per day or more you are required to have a 30 minute break during that time. This applies whether you work only for the Council or for several different employers. If you are a young person with more than one job which adds up to 4.5 hours per day or more you should also inform your manager.

4.4 If you are 18 years of age or over, you are entitled to ~~have~~ a 20 minute break for every working shift lasting 6 hours or more per day.

Declaration of personal / business interests: conflict of interests

4.5 You must declare to your manager any financial and non-financial interests that you consider could bring you into conflict with the Council's interests. ~~Conflict may occur where the Council has entered into (or is going to enter into) a contract in which you, your partner or a relative has a financial interest. You may have a financial interest if, for example, you could: Some examples are given below but these should not be viewed as the only circumstances in which you must declare a conflict of interest.~~

4.6 Conflicts may occur where the Council has entered into (or is considering entering into) a contract in which you, your partner or a relative has a financial interest. You may have a financial interest if, for example, you may:

- receive money or goods
- have value added to a property
- benefit from an increase in share value.

4.67 If you have shares in a privatised utility, such as British Gas, with which the Council will have dealings, you will not normally need to declare this involvement. It is ultimately a question of degree. You would be expected to declare any large shareholdings you may have in a company coming into contact with the Council.

4.78 A conflict of interest may also arise when you have a direct interest in the outcome of a Council decision. If this is the case, then in order to protect yourself from any appearance of improper conduct you should inform your manager immediately that you are aware of the situation.

4.89 Conflicts of interest may occur in a number of circumstances. You should, for example, declare your involvement with an organisation which is grant aided by the Council. ~~if you have any part in the grant process.~~

4.910 You should also declare any involvement with an organisation or pressure group which may seek to influence the Council's policies.

4.4011 If you are not sure whether you should declare such an interest and wish to discuss the matter in confidence, the Monitoring Officer or Head of Human Resources & Organisational Development can offer advice.

4.4112 Although you can be offered advice about declaring interests, it is ultimately your responsibility: if you are not sure, then it is always best to declare an interest. Declared interests are kept on registers of interests. – It is important to remember that declaring an interest does not imply that you may act improperly, but that it could protect you from claims or the potential appearance of impropriety.

Note 1: ~~The form on which declarations~~

Declarations of interest should be made ~~can be found on on~~ PIER via Employee Self Service. Employees without an online PIER account should use the Council's paper form on the council's intranet.

Note 2: Some groups of staff are required to make a declaration of interests annually even if it is a nil return. You will be notified if this applies to you.

5. Membership of non-open / closed organisations

5.1 You must declare in the registers of interests membership of any organisation not open to the public without formal membership and commitment of allegiance, and that has secrecy about rules or membership or conduct. This includes membership of organisations such as the freemasons. Declaration of such membership is required in order to avoid allegations of conflict between an officer's job and their personal interests and allegiances.

6. Tendering / dealing with contractors

6.1 Orders and contracts must be awarded on merit by fair competition against other tenders and in accordance with the Council's Standing Orders. You must not show favouritism to any contractor. You must also make sure that no special favour is shown to current or recent former employers, officers or their partners, close relatives or associates in awarding contracts.

6.2 If you are involved in the tendering process and deal with contractors, you must be clear about the need for the separation of client and contractor roles. You must also make sure that, if you are privy to confidential information on tenders or costs for either internal or external contractors, you do not disclose such information to any unauthorised party or organisation.

- 6.3 If, as part of your job, you are involved with or supervise contractors, and you have any kind of personal or other relationship with a contractor or potential contractor, the law states that you must disclose this relationship. Any such relationships should be disclosed to your manager and entered in the register of interests.

7. Close Personal Relationships at Work

- ~~7.1 You are entitled to expect fair and reasonable treatment by your colleagues, managers and Councillors. If you feel that you have been unfairly treated, discriminated against or harassed, you have the right to raise a complaint with the council.~~
- ~~7.2 In the same way, you are required to treat your colleagues and staff fairly. Not only is it a criminal offence to harass another person on any grounds, it is also a disciplinary offence in the Council.~~
- ~~7.3 You should not cause any person harassment, alarm or distress by using threatening, abusive or insulting language or disorderly behaviour, or by displaying any writing or signs, drawings, posters etc. which are threatening, abusive or insulting.~~
- ~~7.4 You are also entitled to be treated with respect by clients, service users and members of the public. If you feel that their behaviour is unreasonable in the circumstances, you are entitled to terminate the contact, providing that you do so without further antagonising the situation and that you give notice of your intention. You must always report such actions to your manager and make a record of the incident.~~
- ~~7.5 It is your responsibility to act reasonably and fairly.~~
- 7.1 This section should be read in conjunction with sections 4 and 16 of this Code.
- 7.2 A close personal relationship is defined as a:
- close personal friendship (i.e. a relationship going beyond that normally found between work colleagues)
 - family relationship
 - partner, ex-partner or
 - someone with whom you are involved in a romantic/sexual relationship
- 7.3 The council acknowledges that such relationships can exist, or form, at work. Although in the majority of cases these are unlikely to give rise to any issues, the council recognises that in some cases there is the potential for a conflict of interest to arise. Some of the potential problems that can arise from close personal relationships at work include:

- actual or perceived breaches of confidentiality
- accusations or perceptions of bias, favouritism, prejudice, unprofessionalism or unfairness
- lack of trust and confidence in relation to discussions within a team or with a line manager
- a risk to probity or the divulgence of confidential information
- deterioration in work performance

This is not an exhaustive list.

Employee responsibilities

7.4—As an employee, you have a personal responsibility to declare promptly any personal relationships you have, or form, with others, during the course of your employment so that appropriate action can be taken to minimise the risk of potential conflicts of interest arising. You must declare all close personal relationships regardless of whether or not you see a potential conflict of interest arising as a result of your relationship.

7.5 The declaration should be made to your line manager. ~~or~~ If that individual is the person with whom you have the close personal relationship, you should make the declaration to the manager above them and in any case you are expected to do so promptly.

Manager responsibilities

7.6 Managers are responsible for reviewing all declarations made by their staff and for taking appropriate action to prevent any problems arising as a result of close personal relationships at work.

7.7 In most cases, it will not be necessary to move one of the employees to another work area unless there are specific circumstances which make such a change appropriate.

7.8 Where the individuals concerned are in a line management relationship, an alternative manager should be nominated to line manage the subordinate employee in all aspects of their employment.

7.9 Alternative management arrangements should also be put in place where a new member of staff is recruited who would normally be managed by, or who will manage, a relative or someone with whom they have a close personal relationship.

7.10 Further information and how to register a relationship is available on the council's intranet, The Wave.

8. Personal Conduct

8.1 You are expected to behave in a professional, friendly and respectful manner in line with the organisation's Values when dealing with colleagues, councillors, service users, contractors or those working for other organisations with whom the council has dealings.

8.2 To help you do this, the council has adopted a Behaviour Framework which sets out the desired behaviours it expects its staff to personally model when carrying out their job. You should familiarise yourself with the framework so that you understand what is expected of you.

9. Equality and diversity

9.1 The council is committed to increasing equality, opportunities and fairness inside our organisation, across our services and in the city, and to eliminating discrimination.

9.2 As an employee, you have both legal duties and personal responsibilities in relation to equality and you are expected to play an active part in making sure the council delivers the desired equality and diversity outcomes set out in its Equality & Inclusion Policy Statement & Strategy.

9.3 You are responsible for acquainting yourself with the Equality & Inclusion Policy Statement & Strategy so that you are aware of the council's legal equality duties, its commitments in relation to equality and diversity and what this means in practice for you in your role.

9.4 You must treat all colleagues, councillors, service users and residents fairly and with dignity and respect at all times whilst responding positively and appropriately to meet diverse needs.

9.5 Similarly, you are also entitled to be treated fairly and with respect by all those with whom you come into contact in your day-to-day work.

9.6 If you feel ~~that~~ you have been unfairly treated, ~~bullied, harassed or discriminated against~~ ~~or harassed~~, you have the right to ~~by another member of staff~~, you should refer to the Dignity & Respect at Work Policy and guidance that will explain how you can ~~raise a complaint~~, ~~with the council~~.

9.7 If you experience such behaviour from someone not employed by the council e.g. a service user, resident or member of the public, you should notify your manager immediately so that the incident can be recorded and appropriate action taken.

~~9.8 The council will not tolerate any form of bullying, harassment or discriminatory behaviour carried out by, or against, any member of its staff. Allegations of such behaviour by a member of staff will be investigated under the Disciplinary Procedure and, where substantiated, could lead to instant dismissal. In certain circumstances, it could also lead to criminal proceedings.~~

~~7.2 In the same way, you are required to treat your colleagues and staff fairly. Not only is it a criminal offence to harass another person on any grounds, it is also a disciplinary offence in the Council.~~

~~7.3 You should not cause any person harassment, alarm or distress by using threatening, abusive or insulting language or disorderly behaviour, or by displaying any writing or signs, drawings, posters etc. which are threatening, abusive or insulting.~~

~~7.4 You are also entitled to be treated with respect by clients, service users and members of the public. If you feel that their behaviour is unreasonable in the circumstances, you are entitled to terminate the contact, providing that you do so without further antagonising the situation and that you give notice of your intention. You must always report such actions to your manager and make a record of the incident.~~

~~7.5 It is your responsibility to act reasonably and fairly.~~

8.10 Corruption

~~108.1~~ It is important that you are aware that it is a serious criminal offence for you to **corruptly** receive or give any gift, loan, fee, reward or advantage for doing (or not doing) anything or showing favour or disfavour to any person in the course of your work with the Council.

~~10.8.2~~ Under the Bribery Act 2010 it is an offence to request, agree to receive or accept a financial or other advantage intending that a relevant function or activity should be performed improperly as a result.

9

11. Use of Council facilities

~~911.1~~ You should only use Council facilities [such as accommodation, transport, stationery, postal service, ~~ict~~**ICT** etc.] provided by the Council for your use in your duties as an officer to carry out those duties and for no other purpose. In exceptional circumstances your manager may give you permission to use Council facilities but you should always obtain this authority prior to use.

~~911.2~~ Telephones, both static and mobile, can be used for short urgent calls, for example in an emergency or to book a doctor's appointment. Telephones should not be used to give or receive personal calls which are not urgent.

- 911.3 The cost of any personal call made on a Council mobile phone must be repaid, regardless of whether it is within the agreed 'free time'. (To avoid mobile phones becoming a personal taxable benefit, you should repay the cost plus 5 %.)

40.12. Information Governance & Use of ICT

- 4012.1 ~~There~~ Information is a ~~separate policy on~~ critical asset which the use of computers, email council must be able to exploit fully in order to function effectively. It is essential therefore that the confidentiality, availability and internet facilities integrity of that information is appropriately protected.
- 12.2 The council has a suite of policies, procedures and processes that govern how it manages its information so that, as an organisation, it can comply with its legal, regulatory and operational requirements.
- 12.3 You have a personal responsibility to ensure that you make an active contribution towards the council meeting these legal obligations including complying with the Data Protection Act 1998 and the General Data Protection Regulations (GDPR) [effective from May 2018] when processing personal data as part of your job.
- 12.4 You must therefore make sure that you familiarise yourself with, understand and comply with the council's Information Governance Policies and any procedures applicable to your specific job role. This includes undertaking relevant mandatory Information Governance training.
- 12.5 Failure to comply with these policies, procedures and processes is likely to lead to disciplinary action including the possibility of dismissal. In certain circumstances failure to comply with the Data Protection Act 1998 may result in you being personally liable for non-compliance.

13. Reporting of Criminal Offences

- 13.1 As an employee of the council, you are expected to conduct yourself at all times (inside and outside of work) in a manner that will maintain public confidence in both your personal integrity and in the good reputation of the council.
- 13.2 In general, what you do outside of work is your personal concern unless your actions would cause a breakdown in the council's employment relationship with you and/or damage the image and reputation of the Council.

13.3 You must inform your manager as soon as possible if you are arrested (even if no action is taken against you) or you are subsequently cautioned or convicted in connection with any offence. This does not include minor driving offences such as fixed-penalty notices for speeding unless:

- driving is a key requirement of your job, for example, you drive a Council vehicle or you drive your own vehicle regularly on Council business
- the conviction results in disqualification from driving

13.4 Disclosing that you have been arrested, cautioned or convicted of a criminal offence does not necessarily mean that disciplinary action will be taken against you. Consideration will be given to the extent to which your conduct:

- affects your suitability to carry out your job
- impacts on work colleagues, customers, contractors/partners with whom the Council works
- the wider impact your conduct has on the Council's valued image and reputation and
- undermines the trust and confidence that the council must have in you as one of its employees.

13.5 Failing to disclose such information, even where no charges are brought against you, may also lead to disciplinary action under the Council's Disciplinary Procedure.

14. Legacies

14.1 On occasions, members of the public or service users may wish to express their appreciation of the services they have received from a particular member of staff by leaving them money/gifts in their will. This is likely to be more common where employees work closely with and / or care for vulnerable people as a part of their duties.

14.2 Such legacies can give rise to complaints from other potential beneficiaries and to accusations that an employee has taken advantage of the situation to gain personal benefit.

14.3 If a client or member of the public suggests to you that they are considering giving or leaving you money or gifts, you must firmly but politely discourage them from doing so. You should refer to explain the difficulty that this policy for the may cause you and that people you meet through your work do not leave you things in their will. You must also report the matter to your manager.

14.4 You must also take great care to ensure that you are never placed in a position where it may appear that you are influencing or advising a member of the public or service user about the content of their will and you must never provide assistance to them in drafting a will or acting as a witness.

14.5 In the event that any gifts or monies are left to you in a will, you must declare the fact to your Head of Service immediately. Under no circumstances must you accept the bequest.

14.6 Failure to comply with these rules governing acceptable use, is likely to lead to disciplinary action including the possibility of dismissal.

15. Inventions / patents / copyright / publication of work / conferences

4115.1 If you have invented or written something at work then as a general rule it belongs to your employer if:

- it has been written/made in the course of your normal duties
- it has been made/written in the course of your duties and might reasonably be expected as part of your duties.

4115.2 You must also make sure that you do not breach the copyright held by others so that if you and thereby expose the Council to the risk of claims. If you wish to copy the work of others you should seek their permission and acknowledge the source. ensure that you comply with copyright law, seeking advice from your manager if you are unsure.

Conferences

4115.3 You may be invited to address conferences or make presentations about your area of work. If you are asked to address a conference or make a presentation you must consult your manager before you accept the request, as there may be some occasions when the Council would not wish to be officially associated with the organising body. You must not personally accept fees for such work, but you may accept expenses and/or the ability to attend the full conference. There may be exceptions whereby your own time and resources are being used and you can be paid for the work. You should nonetheless seek your Executive Director's advice before accepting a fee, and should refer to the "Outside commitments/Working Time Directive and declaration of interests" section of this Code (section 4).

4216. Appointing staff / discipline and grievance

4216.1 If you are involved in making appointments you must make sure these are made on merit against an agreed person specification and in accordance with the Council's recruitment policy and procedures.

~~42~~16.2 It is unlawful for you to make an appointment based on anything other than the ability of the candidate to undertake the work. In order to avoid any possible accusation of bias, you must not be involved in an appointment if you are related to an applicant, or have a close personal relationship with them. ~~-outside work.~~

~~42.3~~ 16.3 It is also important that there is no suggestion of collusion among panel members. You should not be a member of a panel which includes your partner or someone with whom you have a close personal relationship.

~~42.4~~16.4 You must not canvass on behalf of an applicant.

~~42.5~~ 16.5 Similarly, you must not be involved in decisions relating to discipline capability, grievance procedures, pay adjustments or promotion for any other officer who is a relative, partner or close friend.

4317. Gifts

~~43~~17.1 You must, at all times, avoid any occasion for suspicion and any appearance of improper conduct. Any gift, reward or benefit offered to you as a Council officer should generally be refused. You should report any offers of expensive gifts to your Head of Service, Executive Director or the Monitoring Officer. Gifts offered to you (whether or not you accept them) are to be recorded by you in the register as follows:-

(a) If the gift is of a nominal value of £25 or less, you have discretion as to whether or not to record the gift. Thus, for example, you would not normally record being given gifts mentioned in category (a) in paragraph 13.2 below, but it would probably be appropriate to record gifts in categories (b) and (c) even if worth less than £25.

(b) If the gift is of a nominal value of more than £25 you must record it.

Note 1: If your department or team has special rules about accepting / refusing gifts, you must also comply with those rules.

Note 2: The form on which gifts and hospitality should be registered can be found on the Council's intranet.

~~43~~17.2 Gifts may only be accepted if they are:

(a) small and of modest value or of a promotional or advertising nature, e.g. calendars, diaries, pens and other similar articles (see also below)

(b) small gifts offered during official authorised hospitality, e.g. gifts on the conclusion of any courtesy visit of a type normally given by that organisation

(c) small gifts given by service users or clients. Where appropriate, such gifts should be shared between teams.

| [4317.3](#) Gifts that are not acceptable must be declined or returned.

| [4317.4](#) It is very important that any gifts or other promotional material (pens, calendars, diaries) which carry names or logos should not be used or displayed in public areas. This is to avoid unintentional promotion or endorsement of such products or services.

| [4418](#). **Hospitality**

| [4418.1](#) You may receive hospitality from other Councils, organisations or individuals as part of your work. You should avoid being personally entertained by those who want, or are likely to want, something from you or the Council. When hospitality is offered, you need to consider how this may be perceived by others. Hospitality must not be accepted from any parties concerned in a contract during the tendering period.

| [4418.2](#) When considering offers of hospitality you should consider whether:

- the invitation comes from an organisation likely to benefit from the Council
- the organisation is seeking a contract with the Council, or already has a contract with the Council
- the hospitality is part of a conference, seminar etc. or is more of a social function
- the scale and location of the hospitality is relative to the event
- the event takes place outside normal working hours
- it is being offered on a frequent basis
- it is being offered just to you or to others as well.

| [44.3](#) [18.3](#) All offers of hospitality, whether or not accepted, are to be recorded in the register of gifts and hospitality as follows:

(a) You do not need to record any hospitality which is an integral part of a conference or seminar and is being offered to all delegates.

(b) Otherwise, if the hospitality is

- (i) of a nominal value of £25 or less, you have a discretion as to whether or not to record the hospitality. It is suggested that you should record it unless it falls within the three acceptable categories mentioned at paragraph [4418.5.1](#) below;
- (ii) of a nominal value of more than £25 you must record it.

| [4418.4](#) After consideration, you may wish to decline the hospitality. You may refer to this Code when you decline hospitality, and you should record in the register what was offered and refused by you. If the individual or organisation later comes under investigation, it will be

important to know all the offers that were made, not just those accepted.

Note 1: If your department or team has special rules about accepting / refusing hospitality, you must also comply with those rules.

Note 2: The form on which gifts and hospitality should be registered can be found on the Council's intranet.

| **4418.5** Below are some broad guidelines on what is generally acceptable and unacceptable.

| **4418.5.1 Acceptable**

- modest working refreshments or meals provided that their purpose is to continue the work underway in the meeting
- attendance in an official capacity at functions to which invitations have been sent to other local authorities
- attendance in an official capacity at functions arranged by local public service bodies and other public authorities.

| **4418.5.2 Unacceptable**

- holidays or weekends away
- the use of a company flat or suite
- lunch with a developer who is applying for planning permission
- tickets to theatre, concerts or sporting events which are offered to you to influence your decisions in the Council and which you would not attend in an official capacity.

| **4519. Sponsorship, giving or receiving**

| **4519.1** When an outside organisation wishes to sponsor activity, or is being asked to sponsor a Council activity, the basic conventions covering acceptance of gifts or hospitality apply. You must take particular care when dealing with suppliers or contractors or potential suppliers or contractors.

| **4519.2** Where the Council wishes to sponsor an event or activity, then you, your partner, spouse or relative must not directly benefit from this sponsorship. If you think you may have some benefit from sponsorship, you must advise your manager before the sponsorship is agreed. This could protect you from potential allegations of favouritism or bias. Similarly, where the Council (through sponsorship, grant aid, financial or other means) gives support in the community, you must make sure that you give impartial advice and that there is no conflict of interest involved.

| **4620. Information, openness and confidentiality**

4620.1 Brighton & Hove City Council wants to ensure that it operates openly: this means that information should generally be available to the public. However, you should be aware that certain types of information are confidential and must remain confidential (even after you or the person concerned has left employment with the Council). ~~Such types of information include:~~ This means that you should take care not to circulate (even to colleagues over and above those you need to tell for reasons connected with your work for the Council) personal or confidential information (especially that which is of a sensitive nature). This restriction includes but is not limited to the following:

- personal information, including but not only, that given in confidence and especially that which is sensitive
- information that might compromise the right of commercial confidentiality
- information that if disclosed might prejudice enforcement action
- ~~information that the Authority is not allowed or required by law to disclose (e.g. under data protection legislation)~~
- information relating to the prevention, investigation or prosecution of a crime
- information that is defamatory
- information that appears in the confidential part of committee or council reports – Part 2 papers, often printed on pink paper

This list is not exhaustive.

4620.2 You should never pass on information, confidential or otherwise, for personal or financial benefit.

4620.3 You should ~~be~~ ensure that you are clear about the scope of information to which you have access and the constraints and freedoms applicable to your use of it.

4620.4 If you are in any doubt about whether information is confidential or not you should consult your line manager or the council's Monitoring Officer.

4721. Use of financial resources / financial regulations

4721.1 You must make sure that you use the public funds for which you are responsible in a responsible and lawful manner and in accordance with the Council's Contract Standing Orders, Financial Regulations and ~~Anti-fraud and Corruption Policies.~~ Counter-Fraud Strategy & Framework. If you feel there is evidence of financial impropriety, fraud or corruption you should contact ~~the Head of~~ Internal Audit ~~& Business Risk~~ immediately.

18 22. The role of the Monitoring Officer

1822.1 The Monitoring Officer is responsible for making sure that Councillors and officers act with propriety and within the law. He/she/This person has a statutory responsibility to produce a report to full Council in the event of any possible illegality, maladministration or injustice coming to his / her/their attention. The Monitoring Officer in Brighton & Hove City Council is the Head of Executive Lead – Strategy, Governance and Law.

1923. Raising concerns

1923.1 The Council takes any malpractice seriously and is committed to taking action when such practices are drawn to its attention. Examples of malpractice include bribery, fraud, corruption, gross negligence, actions causing risks to public safety and/or acting where capability is impaired by alcohol or drugs. There may be occasions when such practices are hidden or covered up and need to be drawn to the attention of the Council.

1923.2 To make it easier for you to raise your concerns the Council has a procedure which allows you to raise your concern confidentially and, if necessary, outside your department. This is the Whistleblowing Policy and you can find this on the Council's intranet.

1923.3 If you feel that you cannot raise your concerns within the Council, then you can contact the charity Public Concern at Work (Tel. 020 404 6609), which is a registered charity independent of Brighton & Hove City Council whose services are free and strictly confidential.

2024. Responding to complaints

2024.1 Brighton & Hove City Council is committed to being open with its service users and to treating their complaints fairly. Information about the Council's complaints procedures is included in the Council's series of leaflets "Complaints, compliments, comments and suggestions" which are available at main Council reception points or from the Council's Standards and Complaints Team. This Team can also give you guidance on how to handle complaints.

2125. Useful information

2125.1 Whistleblowing Policy - available from the Head of Human Resources & Organisational Development or from Internal Audit. Equalities & Inclusion Policy Statement & Strategy - available from the Head of Human Resources & Organisational Development Communities, Equality & Third Sector Team AntiCounter-fraud and Corruption Strategy & Framework - available from Internal Audit

Contract Standing Orders - available from [Head of ~~the~~ Procurement Strategy Manager](#)

Code of Conduct for Member–Officer Relations – available from the [Head of ~~Executive~~ Lead – Strategy, Governance and Law](#)

Code of Conduct for Members – available from the [Head of ~~Executive~~ Lead – Strategy, Governance and Law](#)

All these documents are also available on the Wave. Search for **constitution** in the **Library** and click open **Constitution – all documents**

Subject:	Standards Update		
Date of Meeting:	19th September 2017		
Report of:	Head of Law and Monitoring Officer		
Contact Officer:	Name:	Abraham Ghebre-Ghiorghis	Tel: 29-1500
	Email:	Abraham.ghebre-ghiorghis@brighton-hove.gov.uk	
Ward(s) affected:	All		

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

1.1 This report updates Members on Standards-related matters.

2. RECOMMENDATIONS

2.1 That this Committee notes the information provided in the Report on member complaints and on standards-related matters.

3. MEMBER-RELATED COMPLAINTS

The last report to the Committee, in July 2017, noted that all complaints previously reported on had been resolved, and that no complaints remained outstanding at that time. The position remains the same at the time of publication of this report: there are no formal complaints awaiting resolution to report on.

4. MEMBER TRAINING**Member training on the Code of Conduct and related matters**

4.1 In July 2017, all members were invited to a training session. This aimed to enhance attendees' understanding of the provisions of the Localism Act which regulate the conduct of elected members. Its objective was to refine existing awareness of the local Code of Conduct for Members and of the other, related, arrangements which Brighton & Hove City Council has adopted in response to the requirements of the law.

4.2 The training generated positive feedback and as a result, a second session has been scheduled for the autumn for those members who were not able to attend.

4.3 As well as updating members and offering them the opportunity to work through a number of scenarios, the session also provided the opportunity for members to feed back on the Council's arrangements .

- 4.4 It was noted that although the Code of Conduct and other aspects of BHCC's arrangements had recently been reviewed in some detail, the Council's Practice Note on Publicity and the Use of Council Facilities would benefit from being reviewed to ensure that it is up to date with technological changes as well as with current practice. As a result, plans are underway to review that document (which forms part of the Council's Constitution) and to bring a revised version of it to this Committee for consideration.

5. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 5.1 The Council is obliged under the Localism Act to make arrangements for maintaining high standards of conduct among members and to make arrangements for the investigation of complaints. The current arrangements and the proposals in this Report reflect this. No alternative proposals are suggested.

6. COMMUNITY ENGAGEMENT & CONSULTATION

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

7. CONCLUSION

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

8. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: James Hengeveld

Date: 07/09/17

Legal Implications:

- 8.2 These are covered in the body of the Report

Lawyer Consulted: Victoria Simpson

Date: 22.08.17

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

