

**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT & STANDARDS COMMITTEE**

**4.00pm 9 JANUARY 2018**

**COUNCIL CHAMBER, HOVE TOWN HALL, BN3 3BQ**

**MINUTES**

**Present:** Councillors; Miller (Chair) Robins (Group Spokesperson), Sykes (Group Spokesperson), Allen, Cobb and Greenbaum, Cattell and Simson

**Other Members present:** Diane Bushell and Dr David Horne

**PART ONE**

**32 PROCEDURAL BUSINESS**

**32a Declarations of substitutes**

32.1 Councillor Cattell declared that she was in attendance as a substitute for Councillor Morris. Councillor Simson declared that she was in attendance as a substitute for Councillor Lewry.

**32b Declarations of interests**

32.2 There were none

**32c Exclusion of the press and public**

32.3 There were no part two items.

**33 MINUTES & COMMITTEE ACTION LOG**

33.1 **RESOLVED** – That the Chair be authorised to sign the minutes of the meeting held on 19 September 2017 as a correct record.

**34 CHAIR'S COMMUNICATIONS**

34.1 The Chair apologised for the lateness of the reports from the external auditors and the report on housing electrical works. The Chair stated that he felt it was in the public interest to bring these items into the public domain despite members of the public not being able to engage fully with them due to their lateness.

34.2 The Chair stated that he had sought assurances from Ernst & Young that future reports would be produced on time.

**35 CALL OVER**

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

- Item 38 Corporate Risk Assurance Framework (CRAF) 2017-18
- Item 39 Strategic Risk Focus: SR30 Place Based Leadership; SR23 Seafront Investment; SR21 Housing Pressures; and SR26 Council Relationship With Citizens
- Item 40 Housing Electrical Works
- Item 41 2017/18 Audit Plan
- Item 43 Internal Audit And Corporate Fraud Progress Report

35.2 The Democratic Services Officer confirmed that the items listed above had been reserved for discussion and that the following reports on the agenda with the recommendations therein had been approved and adopted:

- Item 42 2016/17 Annual Certification Report
- Item 44 Annual Surveillance Report
- Item 45 Standards Update

**36 PUBLIC INVOLVEMENT**

36.1 There was none

**37 MEMBER INVOLVEMENT**

37.1 There was none

**38 CORPORATE RISK ASSURANCE FRAMEWORK (CRAF) 2017-18**

38.1 Officers introduced the second annual report on the Corporate Risk Assurance Framework and highlighted the three lines of defence model shown in the report. The Executive Leadership Team had reviewed the Strategic Risk Register on 22 November 2017 and made no changes.

38.2 Ms Bushell asked the officers to clarify why the revised impact and likelihood risk ratings were higher than the initial risk ratings for Strategic Risks SR17 and SR24 after the controls had been put in place. She also asked officers to explain how the CRAF RAG ratings are reached.

38.3 Officers responded that they would not have expected this to be case and they would need to speak to the risk owners and review this. The CRAF RAG ratings and the Risk Ratings are based on different criteria and do not assess the same things. The CRAF RAG ratings are based on policies.

38.4 Ms Bushell welcomed the inclusion of lead members in the report and asked officers what their role would be.

- 38.5 Officers stated that lead members have spheres of influence as chairs of committees. The lead member would have a role in developing policy and in determining the agenda for committee meetings.
- 38.6 In response to Councillor Robins' concerns, Officers stated that future versions of the table would be reformatted to make it clear that the Lead Member was not responsible for causing the risk.
- 38.7 In response to Councillor Allen, Officers clarified that the RAG rating for a policy as a whole was independent from the ratings for individual components of the policy.
- 38.8 Officers responded to Councillor Allen that initial risk ratings in the Risk Register were based on a scenario with no existing controls in place; and the second rating, the revised risk score, took into account the listed existing controls which were intended to manage the risk. The initial risk score rating was therefore expected to be higher and the revised risk score to be lower.
- 38.9 Councillor Sykes thanked the resident who had written to several committee members about the language of audit reports and the Corporate Risk Assurance Framework in particular and stated that officers needed to seek to make reports understandable for the lay person.
- 38.10 Responding to Dr Horne's suggestion that contract management could be a worthwhile area for a deep dive, Officers stated that it was an issue across the organisation and the further scrutiny this would be beneficial.

38.11 **Resolved:**

- 1) Noted the Internal Audit opinion of assurance levels on the third line of defence within the CRAF at Appendix 1 and agree for Internal Audit to update these where other sources of assurance have been identified by Risk Owners in the Strategic and Directorate Risk Registers in advance of finalising the Annual Governance Statement for 2017-18
- 2) Noted the full Strategic Risk Register Report at Appendix 2
- 3) Noted the full Directorate Risk Register Report at Appendix 3

**39 STRATEGIC RISK FOCUS: SR30 PLACE BASED LEADERSHIP; SR23 SEAFRONT INVESTMENT; SR21 HOUSING PRESSURES; AND SR26 COUNCIL RELATIONSHIP WITH CITIZENS**

**SR30 Place Based Leadership**

- 39.1 The Chief Executive introduced SR30. The need to articulate better political leadership within the city and wider region had been identified in the Local Government Association (LGA) peer review especially relating to health and social care integration and devolution.

- 39.2 Ms Bushell asked that where outside bodies were mentioned in reports a description of how they provide assurance was also included. A list of organisations was included in the paperwork without any description of controls.
- 39.3 Councillor Sykes noted that although SR30 was a new risk the controls were largely already in place. He asked if there was any specific work that was being done or any that could be done.
- 39.4 The Executive Director, Economy, Environment & Culture responded that work was being done through the Greater Brighton Economic Board to look at supporting the city's economy through Brexit.
- 39.5 In response to the Chair the Chief Executive stated that success at mitigating SR30 could be measured by the relationship between the Council and partner organisations as well as central government as seen through feedback to Councillors and officers.

### **SR23 Seafront Investment**

- 39.6 The Executive Director, Economy, Environment and Culture stated that the seafront was a key asset for the city but there were heritage structures that would require significant investment. SR23 tracked the progress of investment in the seafront and ensured that there was an effective strategy in place. There had been significant recent investment in the seafront especially around the i360 and the Volks Railway.
- 39.7 Councillor Sykes asked if the Council could apply for grants from the £4 million community fund launched by Rampion Offshore Wind Farm.
- 39.8 The Executive Director, Economy, Environment and Culture responded that he believed that the fund was for community groups but he would investigate further.

### **SR21 Housing Pressures**

- 39.9 The Executive Director, Economy, Environment and Culture stated that there continued to be an issue of demand for housing, and that this was out-stripping supply. The report outlined work across the organisation including; the New Homes for Neighbourhoods scheme, the joint venture with Hyde Housing, steps being taken to encourage the development of affordable housing and the completion of the Brooke Mead Extra Care Housing.
- 39.10 In response to Councillor Simson the Executive Director, Economy, Environment and Culture stated that hidden homelessness was by its nature difficult to measure. It could be seen in overcrowded conditions and two households living together.
- 39.11 The Chief Executive responded to Councillor Sykes that work around the regulation of the private rented market and supporting private tenants was something that could be expanded on in future reports and more information could be provided after the meeting.
- 39.12 Ms Bushell asked what percentage of development actually achieved the target of 40% affordable housing, if viability assessments were made publicly available and whether the council challenged these assessments.

- 39.13 The Executive Director, Economy, Environment and Culture responded that he did not have a specific figure to hand but that there was a significant number where viability implications meant the 40% affordable homes target was not met. Viability assessments were challenged through the district valuer or independent valuer. There was a report being considered by the Tourism, Development and Culture committee on 10/01/2018 which recommended a move to open book planning applications, a policy adopted by most London boroughs.
- 39.14 In response to the Chair the Executive Director, Economy, Environment and Culture stated that the government had launched its Industrial Strategy White Paper which signalled increased powers for localities to establish housing deals with government around unlocking or accelerating housing delivery. The Greater Brighton Economic Board would be considering reports on this matter in February and April 2018.

### **SR26 Council Relationship with Citizens**

- 39.15 The Chief Executive stated that SR26 had received a new focus with the creation of the new Neighbourhoods, Communities & Housing Directorate. There were new initiatives such as the new Field Officer role, supporting members with ward budgets, and strengthening member support. The council was looking to work with General Practitioner (GP) clusters as part of health and social integration. Tackling antisocial behaviour in the city needed to be a priority.
- 39.16 Councillor Sykes stated that he understood the motivation behind pursuing higher rates of cost recovery, but cautioned that a more hardnosed approach could threaten the viability of community groups and damage relationships with residents.
- 39.17 Dr Horne noted that the CRAF report showed a low completion rate for actions designed to build social capital and local leadership.
- 39.18 The Chief Executive responded that the Directorate and its new Executive Director had only been in place for around a year and there had been a significant review and reorganisation of teams within the Directorate.
- 39.19 Councillors Robins stated that the focus of community groups had moved away from meetings to online groups through social media and that particularly antisocial behaviour was not necessarily being reported to Local Action Teams.
- 39.20 The Chief Executive agreed that the council needed a greater presence on social media and to move to where residents were. The Digital First team would help improve online access.
- 39.21 **Resolved:**
- 1) That the Audit & Standards Committee noted the CRAF report Appendix 2 for details of SR30; SR23; SR21 and SR26.
  - 2) That, having considered Appendix 2 of the CRAF report and any clarification and/or comments from the officers, the Committee makes any recommendations it considers appropriate to the relevant council body.

- 3) That the Committee note that (as detailed in paragraph 3.3) there have been no changes to the council's Strategic Risk Register.

#### **40 HOUSING ELECTRICAL WORKS**

- 40.1 The Executive Director, Finance and Resources introduced the report. Internal audit had identified issues with housing electrical works, and had requested further work to ensure that there were no health and safety or charging issues.
- 40.2 Councillor Simson stated that she was concerned about the potential issues around housing electrical works and asked why the report was so late to the meeting.
- 40.3 The Executive Director, Finance and Resources responded that the investigation had been a complex task and the contract was subject to differences in interpretation between the council and Mears.
- 40.4 In response to Ms Bushell, the Executive Director, Finance & Resources stated that in hindsight the contract could have been drawn up differently to avoid ambiguities. However this was difficult as it was a large contract with a wide scope.
- 40.5 The Chair stated that it was disappointing that no housing officers had attended to present the report to the committee and that after 18 months of investigation there seemed to be little progress. He stated that it would be in the public interest to have a further report outlining steps to resolve the matter brought by officers from both the housing and internal audit teams. Serious consideration ought to be given to sourcing an independent report.
- 40.6 Councillor Cobb proposed the following amendment:

"To add the new recommendation as shown in bold italics:

***2) That officers are requested to bring a report to the next meeting providing further detail and information on the matter."***

- 40.7 Councillor Sykes seconded the amendment.
- 40.8 The amendment and the amended recommendations were agreed unanimously by the committee.
- 40.9 **Resolved:**
- 1) That Audit & Standards Committee note the contents of the report.
- 2) That officers were requested to bring a report to the next meeting providing further detail and information on the matter

#### **41 2017/18 AUDIT PLAN**

- 41.1 Paul King introduced the report of Ernst & Young. He stated the audit plan identified two significant risks; management override and valuation of land and buildings. Overall materiality was set at 2% of the council's gross expenditure, £16.93 million. Uncorrected differences would be reported at £0.84 million. There was one significant risk identified for the value for money conclusion which was the challenge for the council to secure its finance over the short to medium term. A change in regulations meant that accounts would have to be audited and published by the end of July from 2018.
- 41.2 Councillor Cobb stated that she was disappointed that there was no change or action from last year's plan and asked what impact the change in retirement age would have on pension costs.
- 41.3 Paul King responded that management override was included as standard in audit plans and was not a reflection of particular concerns in Brighton & Hove City Council. Land and building valuations was included based on concerns raised over the last two years. Local Government Pension Schemes are regularly valued and reviewed and changes are made to contribution rates. All of the factors which impact the pensions would be taken into account when the schemes were valued.
- 41.4 Councillor Simson asked how risks were identified and why areas such as contract management or IT support were not considered.
- 41.5 Mr King responded that some areas were included because of experience with past audits, and some were included on all audit plans as standard. Contract management or the performance of IT may be considered in the value for money conclusion.
- 41.6 In response to Councillor Sykes, Mr King stated that 5% was a standard level of materiality for audit planning purposes.
- 41.7 In response to Councillor Sykes, Mr King stated that the audit of Lender Option Borrower Option contracts was still under consideration.
- 41.8 Councillor Allen asked why pensions were being included in the audit plan.
- 41.9 Mr King responded that the size of the council's liability was around £225 million and that this figure included a lot of estimation meant it represented a significant risk. This liability would not be affected by being a relatively minor contributor to the pension fund as a whole.
- 41.10 The Chair asked if the council was prepared for the July deadline for auditing and publishing accounts.
- 41.11 The Executive Director, Finance and Resources responded that the July deadline would be a challenge with diminished back office staff. Working with colleagues across Orbis should increase capacity in the future.
- 41.12 **Resolved:**
- 1) The Audit & Standards Committee noted the contents of the report.

**42 2016/17 ANNUAL CERTIFICATION REPORT****42.1 Resolved that the Audit & Standards Committee:**

- 1) Noted the 2016/17 Certification Report.

**43 INTERNAL AUDIT AND CORPORATE FRAUD PROGRESS REPORT**

- 43.1 The Principal Audit Manager introduced the report and highlighted changes in the audit plan: ICT disaster recovery and Able and Willing had been added and Housing Allocation had been removed. One minimal assurance report had been received on City Clean and four partial assurance reports had been produced since the last update. There were 8 high priority audits scheduled.
- 43.2 Officers also updated the committee on the audit of parking permits. An online parking permit system was procured in autumn 2016. It was hoped this new system would help identify fraud. There were however teething issues with the system. Further issues with the customer-facing side of the system had now been resolved but the back office issues remained.
- 43.3 Councillor Simson expressed concern that Housing Allocation had been taken off the audit plan as new arrangements had just been introduced, and these had caused a lot of disquiet among residents.
- 43.4 Officers responded that an audit would be carried out in the first quarter of the financial year 2018/19.
- 43.5 In response to Dr Horne, officers responded that an audit of parking permits estimated £180,000 of potential fraud. Some of the issues with fraud would not be able to be resolved until a new system was in place.
- 43.6 Councillor Sykes asked if officers could expand upon the financial risk to the council of the areas which had been audited.
- 43.7 Officers responded that council tax was audited every year and there were potential challenges around collection. Residential care for the elderly also carried a large potential financial risk as costs were dependent on where the placement was. City Clean was also operating a commercial waste service which only had partial approval from Policy, Resources and Growth Committee, an oversight arising from demand increasing at a faster than anticipated rate. The proposal for an improvement programme which included the commercial waste service was due to be taken to Policy, Resources and Growth committee after the budget process.
- 43.8 Officers responded to Councillor Simson that the Audit Plan was set by officers and then agreed and amended at committee. There was a responsibility to review and change the plan in response to new and emerging risks.
- 43.9 **Resolved:**



- 1) That the Audit & Standards Committee noted the report and considers any further action required in response to the issues raised.

**44 ANNUAL SURVEILLANCE REPORT**

**44.1 Resolved:**

- 1) That the continued use of covert surveillance was approved as an enforcement tool to prevent and detect crime and disorder investigated by its officers, providing the activity is in line with the Council's Policy and Guidance and the necessity and proportionality rules are stringently applied.
- 2) That the surveillance activity undertaken by the authority since the report to Committee in November 2016 as set out in paragraph 3.3 was noted.
- 3) That the continued use of the Policy and Guidance document as set out in Appendix 2 was approved.

**45 STANDARDS UPDATE**

**45.1 Resolved:**

- 1) That the Committee noted the information provided in the Report on member complaints and on standards-related matters.

**46 ITEMS REFERRED FOR COUNCIL**

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

**47 ITEMS FOR THE NEXT MEETING**

- 47.1 As per the amended recommendations at paragraph 40.9

The meeting concluded at 6.15pm

Signed

Chair

Dated this

day of