

BRIGHTON & HOVE CITY COUNCIL

AUDIT & STANDARDS COMMITTEE

4.00pm 15 NOVEMBER 2016

COUNCIL CHAMBER, HOVE TOWN HALL, NORTON ROAD, HOVE, BN3 3BQ

MINUTES

Present: Councillors A Norman (Chair) Cattell, Cobb, Druitt, Moonan, Morris, Sykes and Taylor

Independent Members present: Diane Bushell, Dr David Horne

PART ONE

38 PROCEDURAL BUSINESS

38a Declarations of substitutes

38.1 Councillor Moonan was present as substitute for Councillor Chapman.

38.2 Councillor Cattell was present as substitute for Councillor Robins.

38b Declarations of interests

38.2 There were none

38c Exclusion of the press and public

38.3 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.

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

39 MINUTES

39.1 Councillor Taylor noted that he had not yet received a reply to his enquiry at 29.5 of the minutes.

- 39.2 The Executive Director apologised that a reply to the query had not been sent and confirmed that all investments were currently held in sterling and that the council was not therefore directly exposed to currency fluctuations.
- 39.3 Councillor Druitt noted that minute item 33.5 did not indicate a response to his query on unplanned audits at minute item 33.4.
- 39.4 The Head of Internal Audit confirmed that investigation into the Mears contract had been responsible for some but not all unplanned audit work.
- 39.5 **RESOLVED-** That the minutes of the previous meeting held on 27 September 2016 be approved and signed as the correct record.

40 CHAIR'S COMMUNICATIONS

- 40.1 The Chair provided the following communications:

"I'd like to welcome Thomas Wilkins from Ernst & Young to the committee who has will now be attending our meetings instead of Ian Young. We look forward to working with Thomas and I'd like to record my thanks to Ian Young for his work and input into the committee.

"As some as you will be aware, Councillor Robins became unwell last week- on behalf of the Committee I'd like to extend our best wishes to Alan and I will send a card on Members behalf".

41 CALL OVER

- 41.1 The following items on the agenda were reserved for discussion:

- Item 44: Strategic Risk Focus Item: SR21 Housing Pressures; SR23 Developing an Investment Strategy to Refurbish and Develop the City's Major Asset of the Seafront; and SR27 Devolution
- Item 45: Internal Audit Update (including Amended Audit Plan)
- Item 46: Targetted Budget Management (TBM) 2016/17 Month 5
- Item 47: Ernst & Young Annual Audit Letter
- Item 48: Develop the Audit & Standards Committee
- Item 50: Review of the Code of Conduct for Members
- Item 51: Customer Feedback Report

- 41.2 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 49: Standards Update
- Item 52: Annual Surveillance Report

42 PUBLIC INVOLVEMENT

42.1 There were none.

43 MEMBER INVOLVEMENT

43.1 There were none.

44 STRATEGIC RISK FOCUS ITEM: SR21 HOUSING PRESSURES; SR23 DEVELOPING AN INVESTMENT STRATEGY TO REFURBISH AND DEVELOP THE CITY'S MAJOR ASSET OF THE SEAFRONT; AND SR27 DEVOLUTION

44.1 The Executive Director, Economy Environment & Culture provided a verbal update and answered Members questions for SR21: Housing Pressures, SR23: Developing an Investment Strategy to Refurbish and Develop the City's Major Asset of the Seafront and SR27: Devolution. The Executive Director was accompanied by the Head of Housing Strategy for presentation of SR21 and the Head of Sport & Leisure for the presentation of SR23.

44.2 The Chair asked what risks were presented by the shortage of housing in the city and if the issue could realistically be resolved in the near future.

44.3 The Executive Director, Economy, Environment & Culture stated that the central risk was that it would hinder the ability of the city to attract workers particularly in the public sector and that there could be an increase in homelessness. Resolving the issue in the near future would be a challenge but work was in progress and there were upcoming proposals to mitigate the potential impact.

44.4 Councillor Taylor noted that there were 32,000 students based in the city and that figure was expected to rise to 40,000 by 2020. Councillor Taylor stated that whilst students made a superb contribution to the city, 90% were housed in private property meaning that 4,000 housing units were subject to council tax exemption. Councillor Taylor asked what actions were being taken to manage the issue.

44.5 The Executive Director, Economy, Environment & Culture stated that there had been a recent increase in purpose built student accommodation that had eased pressures but that a further increase would be required to address the expected rise in need and growth. The issue would form part of the City Plan 2 in the context of the wider Housing Strategy.

44.6 In reference to the Joint Venture with Hyde Housing to deliver 1,000 new lower cost homes, Councillor Druitt stated that these should be genuinely affordable homes. Councillor Druitt asked if the council had sourced the necessary financial expertise for the venture and whether a low rate of return and therefore lower rents for the properties would present risk to the council.

44.7 The Executive Director, Economy, Environment & Culture clarified that the council had used external resource where it did not have the necessary expertise in-house and this mainly related to legal matters. The Executive Director, Economy, Environment &

Culture added that the rate of return on the properties needed to balance two objectives: to bring forward new homes that were affordable as possible for those on low incomes and balance the risk to the council in making that financial investment. The Executive Director, Economy, Environment & Culture stated that studies had been undertaken into a variety of different rates of return and a report would be considered by the Housing & New Homes Committee on 16 November 2016 with proposals that struck a balance between financial risk and housing delivery.

44.8 Diane Bushell enquired as to the local impact of the Welfare Benefit Cap and the introduction of Section 24 of the Finance Act (No. 2) 2015 due in 2017.

44.9 The Executive Director, Economy, Environment & Culture explained the Welfare Benefit Cap had a phased introduction and analysis had been undertaken to identify the households this would affect in order to take preparatory steps to provide support to those residents through measures such as a change in accommodation or short-term discretionary payments. In relation to Section 24, the Head of Housing Strategy stated that the matter had been discussed with representatives of the private sector and would be monitored closely during its four year phased introduction.

44.10 Councillor Sykes stated that the issue of high rents in private sector housing was a particular concern in his ward and across the city but there appeared no reference in the report on the issue. Councillor Sykes added that engagement with the two universities was listed as a risk action and asked if a response had been provided by either on the issue. Furthermore, Councillor Sykes asked if any impact was expected or known in relation to the emergence of the Airbnb service.

44.11 The Head of Housing Strategy responded that the city currently had approximately 3,000 licensed Houses in Multiple Occupation (HMO's) and a possible extension of that scheme was being considered. The Head of Housing Strategy added that whilst there were elements of private sector housing that were outside council control, a report would be considered by the Housing & New Homes Committee on 16 November recommending the council to join the Rent Smart Partnership that was a citywide partnership promoting an increase awareness of rights and responsibilities amongst private renting tenants and promoting a rating system for landlord agencies. The Executive Director, Economy, Environment & Culture clarified that the universities had responded positively and sensitively and were looking at ways they could assist the council. The Executive Director, Economy, Environment & Culture stated that he understood there were currently 800 properties citywide listed on the Airbnb website. Currently that was not cause for concern but the figure would need to be monitored.

1) **RESOLVED-** That the Audit & Standards Committee notes the Strategic Risk Assessment Report at Appendix 1

45 INTERNAL AUDIT UPDATE (INCLUDING AMENDED AUDIT PLAN)

45.1 The Committee considered a report of the Executive Director, Finance & Resources that summarised audits that had been carried out to date and proposed changes to the audit plan.

- 45.2 Diane Bushell noted that an unplanned audit of emergency accommodation had been carried out following concerns raised by a member of the public that had found required improvements. Diane asked if the council inspected emergency accommodation and if the fault would have found had it not been reported by a member of the public.
- 45.3 The Head of Internal Audit clarified that emergency accommodation was due to be considered in the 2017/18 Plan and had been brought forward in response to the concerns reported. The council did inspect its accommodation however there were issues regarding the length of time it took for problems to be rectified. Furthermore, the audit had uncovered issues relating to the procurement of contracts that would be revisited.
- 45.4 Councillor Sykes stated that he understood that agreement had been reached with Mears that they would contribute funding to the council for a Quantity Surveyor post and asked if that had happened. Councillor Sykes asked how issues raised by members of the public were balanced with the requirement to complete the plan.
- 45.5 The Head of Internal Audit confirmed that the council now employed a Quantity Surveyor for responsive repairs that was funded through the Mears partnership. Furthermore, a review of the partnership agreement was underway and the outcome reported to a future meeting. In relation to reports from members of the public, the Head of Internal Audit explained that this was balanced on a case by case basis with an element of contingency within the audit plan for such matters. Any decision upon whether to proceed with investigation was based upon a risk assessment of the issue or area of concern raised.
- 45.6 Councillor Druitt noted his surprise that City Parks had been deleted from the audit plan as there would likely be significant changes to the service in coming months. Councillor Druitt asked if the deleted Housing Repairs- Capital Programme (general) audit related to Mears Ltd.
- 45.7 The Head of Internal Audit stated that the audit plan broadly related to those issues on the Risk Register and to expenditure and Parks may be included in the following 2018/19 year. An audit on the Mears Housing Repairs and Capital Programme had been brought forward to 2016/17 Plan and the 2017/18 work would be a specific review of housing repairs capital works.
- 45.8 Dr Horne asked if it was expected that the Audit Plan for 2016/17 would be delivered to schedule.
- 45.9 The Head of Internal Audit confirmed that it was expected for 90-95% of the Plan to be delivered. A completion rate of 100% was never expected as some items became redundant through the period of the audit plan and in his experience, a completion rate of 90-95% was standard.
- 45.10 **RESOLVED-**
- 1) That the Audit & Standards Committee notes the audits that have been carried out to date.

- 2) That the Committee approves the proposed changes to the audit plan.

46 TARGETTED BUDGET MANAGEMENT (TBM) 2016/17 MONTH 5

- 46.1 The Committee considered a report of the Executive Director, Finance & Resources that provided the Targeted Budget Management (TBM) report Month 5 and an extract of the proceedings of the Policy, Resources & Growth Committee held on 13 October 2016 from which the report had been referred; together with a specific report to the Audit & Standards Committee.
- 46.2 Councillor Cobb enquired as to the arrangement between the council and Brighton & Hove Buses for concessionary bus fares.
- 46.3 The Assistant Director, Finance stated that the contract related to volume of journeys made and the council were charged a fixed price for each journey using a concessionary bus pass. Journey data was monitored and captured and formed a part of the terms of the contract negotiations between the two parties.
- 46.4 Councillor Sykes noted that there had been a recent 10% drop in concessionary bus pass journeys and asked if that would have some impact on the contract negotiations.
- 46.5 The Assistant Director, Finance confirmed that the reduction would be a factor in the upcoming renegotiation of the contract.
- 46.6 Councillor Taylor asked if there were remedial plans for the demand-led services should the recovery plan not deliver the forecasted £1.535m of potential cost reductions.
- 46.7 The Executive Director, Finance & Resources answered that the majority of this spend related to services that the council had a statutory duty to deliver and it was difficult to drive down costs determined by demand. There was currently a risk provision in the corporate budget that would mitigate against the forecast overspend in Children's Services, Adult Social Care and Housing.
- 46.8 Diane Bushell asked if the predicted overspends related to the natural uncertainty in forecasting demand-led services or if there had been over zealousness in identifying cost savings.
- 46.9 The Assistant Director, Finance stated that there was some difficulty in forecasting volatile, demand-led services but there had been improvement in the systems used by the council to identify service pressures. However, the Council's annual budget must be agreed by the end of February, with draft proposals usually coming forward in December each year, meaning that forecasts were often made well in advance of the start of each financial year. This adds to the difficulty in making accurate predictions.
- 46.10 **RESOLVED**-That the Audit & Standards Committee notes the update on the council's in-year financial position and the continuing actions taken to address forecast overspend risks.

47 ERNST & YOUNG ANNUAL AUDIT LETTER

- 47.1 The Committee considered a report of Ernst & Young that set out their Annual Audit Letter for 2015/16.
- 47.2 Diane Bushell asked for further information on the assessment of management override of controls.
- 47.3 Paul King stated that this related to the ability by management to manipulate management controls directly or indirectly and prepare fraudulent statements by overriding controls that could appear to be operating effectively. As part of this assessment, Ernst & Young would analyse journals kept by the senior finance team for the year as a whole and after an event for specific descriptions, testing accounting estimates for any scope of inherent bias particularly in relation to appeals on non-domestic rates and property, plant and equipment hire (PPE).
- 47.4 Councillor Sykes asked what type of risk auditors were looking for when assessing Minimum Revenue Provision (MRP).
- 47.5 Paul King clarified that this was an assessment of why the council made any changes in the provision for capital expenditure and whether the council complied with statutory guidance in this area.
- 47.6 Councillor Sykes enquired whether local authorities could increase their leverage by reducing their MRP.
- 47.7 The Head of Internal Audit explained that MRP related to how local authorities charge current and historic capital financing costs relating to capital programme spend to their revenue accounts. The timeframe of repayment can vary, for example depending on the average life of capital assets of the local authority. The council has effectively extended the period over which this will be charged to the revenue account to more closely reflect asset lives thereby reducing the annual charge. However, the financing will still be repaid eventually.
- 47.8 Councillor Druitt noted that the issuing of the Audit Certificate had been delayed pending the resolution of an objection to the accounts for 2015/16 in relation to Lender Option Borrower Option loans and enquired whether there was a timeframe or deadline for resolution.
- 47.9 Paul King stated that the target for resolution was set at 9 months by the Public Sector Audit Appointments Limited (PSAA) but it was hoped that the objection would be settled before that deadline. It was necessary to have a correct balance between considering the objection and the work required to do so but Ernst & Young were mindful of the need to follow due process and reaching a fair outcome for all parties. Paul King supplemented that there was also an option to challenge any decision made that may extend the timeframe for resolution.
- 47.10 **RESOLVED-** That the Committee note the 2015/16 Annual Audit Letter.

48 DEVELOPING THE AUDIT & STANDARDS COMMITTEE

- 48.1 The Committee considered a report of the Executive Director, Finance & Resources that summarised the progress on implementing the development plan for the Audit & Standards Committee.
- 48.2 Dr Horne asked whether the committee could receive an update report on the issue in six months time, whether monitoring reports could form part of the agenda and requested that the committee Members have input into the upcoming re-appointment of external auditors.
- 48.3 The Head of Internal Audit confirmed that an update report could be brought to the committee in six months time and that monitoring reports could be included in the agenda subject to determination from Members. The Executive Lead, Strategy, Governance & Law added that he believed the committee should have input into the decision on the appointment of external auditors even if the final decision was a statutory function of Full Council.
- 48.4 **RESOLVED-** That the Committee notes the action taken to date and agrees the proposed actions set out in paragraph 4.2.

49 STANDARDS UPDATE

- 49.1 **RESOLVED-** That Members note the report.

50 REVIEW OF THE CODE OF CONDUCT FOR MEMBERS

- 50.1 The Committee considered a report of the Head of Law and Monitoring Officer that sought approval for a range of proposed amendments to the Code of Conduct for Members. The amendments had been agreed unanimously by a cross party working group of Members, Independent Persons and Officers with the rationale for the changes set out in the body of the report. If approved, the report would be referred to Full Council for adoption.
- 50.2 Councillor Moonan welcomed the detailed and thorough report. Councillor Moonan noted that the report proposed that a substantive breach of the Code may not be referred to a Panel in exceptional circumstances and asked for an example of when that might be enacted. Furthermore, Councillor Moonan asked when the Code would come into effect if agreed by the Committee and Full Council and if the new guidelines would apply to existing complaints. In addition, Councillor Moonan expressed her belief that all Members should be given a detailed update on the changes to the Code, if ratified and proposed that the Political Group meetings might be the best format for doing so.
- 50.3 The Head of Law and Monitoring Officer explained that the Code would come into effect once it had been approved by Full Council. Existing breaches would be determined in accordance with the Code of Conduct in force at the time of the occurrence of the breach. The Head of Law and Monitoring Officer explained that it was proposed that the Monitoring Officer be given the discretion to resolve complaints informally where he considered that exceptional circumstances applied, this even where a substantive breach of the Code was considered to have occurred. He explained that the Code itself created a mechanical process and very occasionally there would be technical breaches of the Code that were not in the public interest to pursue. The option of informal

resolution without a Panel hearing would only be undertaken having consulted with the parties, with an additional safeguard in the form of the Independent Person's agreement.

50.4 Councillor Druitt welcomed the clarity that the declaration of interest flowchart provided and asked if a section could be added for the correct course of action for Members where an interest should be declared during a meeting that was not known ahead of the meeting for example, during a debate of an issue.

50.5 The Lawyer welcomed the suggestion and confirmed that it could be added to the flowchart.

50.6 RESOLVED TO RECOMMEND-

- 1) That Audit and Standards Committee consider the draft revised Code of Conduct for Members and the Procedure for Dealing with Allegations of Breaches of the Code of Conduct for Members set out in Appendices 1 and 2 respectively and approve Appendix 2 while referring Appendix 1 – with any further recommended amendments – to Council for approval.
- 2) That Council approve the draft revised Code of Conduct for Members referred by Audit and Standards Committee, for implementation with immediate effect.
- 3) That Council grant delegated authority to the Monitoring Officer to take appropriate measures to implement the revised Code and to assist existing and new Members with understanding and applying it, including via training.

51 CUSTOMER FEEDBACK REPORT

51.1 The Committee considered a report of the Executive Lead Officer- Strategy, Governance & Law that provided assurance to the Committee that the Council has an effective Customer Feedback system that included detail and analysis of the complaints received.

51.2 Councillor Cobb asked if Members were included as professionals as defined in the report.

51.3 The Customer Experience Lead confirmed that this was the case adding that Councillors played an important role in the complaints process as advocates for residents.

51.4 Councillor Cobb noted her disappointment that Members were subject to the same ten working days timeframe for responding to complaints as others adding that this should be shorter for Members due to the important role they played.

51.5 Councillor Sykes asked if complaints registered through social media platforms were recorded.

51.6 The Customer Service Experience Lead clarified that complaints made through social media were not currently recorded and the data covered complaints and compliments made via telephone, email and the web form on the council website.

- 51.7 Councillor Druitt asked if it was intended to include complaints and compliments made through social media in the future as from his own experience, this was a popular way to contact services and Members and the current data may not reflect an accurate picture.
- 51.8 The Customer Service Experience Lead clarified that social media compliments and complaints were monitored manually but this entailed significant human resource. A software programme that monitored social media posts and gauged emotion and subject was currently being investigated as an option for the future.
- 51.9 The Executive Lead Officer- Strategy, Governance & Law clarified in relation to Member correspondence that the question of responses to Members had been considered two years ago and it was agreed that Members should receive an acknowledgement within two working days and a full substantive response within five working days. On occasions where that might not be possible the Member should be informed of when they may expect a full response.
- 51.10 **RESOLVED-** That the Committee note the report.

52 ANNUAL SURVEILLANCE REPORT

52.1 RESOLVED-

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

53 ITEMS REFERRED FOR COUNCIL

- 53.1 **RESOLVED-** That Item 51: Customer Feedback report be referred to the next meeting of Full Council for information.

The meeting concluded at 7.00pm

Signed

Chair

Dated this

day of