

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