

**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT & STANDARDS COMMITTEE**

**4.00pm 19 SEPTEMBER 2017**

**COUNCIL CHAMBER, HOVE TOWN HALL**

**MINUTES**

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

**Independent Members present:** Diane Bushell, Dr David Horne

**PART ONE**

**18 PROCEDURAL BUSINESS**

**18a Declarations of substitutes**

18.1 Councillor Cattell was present as substitute for Councillor Morris

**18b Declarations of interests**

18.2 There were none

**18c Exclusion of the press and public**

18.3 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.

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

**19 MINUTES & COMMITTEE ACTION LOG**

19.1 **RESOLVED** – That the minutes of the previous meeting held on 25 July 2017 be approved and signed as the correct record.

19.2 In relation to minute item 10.3, Dr Horne requested that a report be brought to the next meeting with an update on actions to improve controls to prevent parking fraud and losses due to a continued lack of progress on the matter.

19.3 The Committee agreed the request.

## 20 CHAIR'S COMMUNICATIONS

20.1 The Chair expressed thanks to Ernst & Young for their work with the council and the committee following the announcement of Grant Thornton as auditors for Brighton & Hove City Council from 2018/19. Furthermore, the Chair thanked officers for providing a training session on the Statement of Accounts that had been well attended and very useful for all Members.

## 21 CALL OVER

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

- Item 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
- Item 25: Audited Statement of Accounts 2016/17
- Item 26: Ernst & Young: Audit Results Report 2016/17
- Item 27: Internal Audit and Corporate Fraud Progress Report
- Item 28: Code of Conduct for Employees

21.2 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 29: Standards Update

## 22 PUBLIC INVOLVEMENT

22.1 There were none.

## 23 MEMBER INVOLVEMENT

23.1 There were none.

## 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

24.1 The Committee considered a report of the Executive Director, Finance & Resources that provided detail on the actions taken and future actions to manage each strategic risk.

- 24.2 Councillor Sykes noted that the number of strategic risks had increased and for some risks, specifically SR30, the titles were not specific or targeted meaning they may be harder to control.
- 24.3 The Executive Director, Finance & Resources explained that risks were rising, broadly in relation to an increase in capacity and resource issues. The Executive Director stated that there was a big issue around assurance that senior officers were holding and managing an appropriate amount of risks, and that this could be worthy of further focus by the Committee. In relation to SR30, the Executive Director explained that this related to a drive toward a focus and improvement upon the council's city and civic leadership role.
- 24.4 Councillor Sykes noted that SR30 was broad in its range and queried whether the matter was one of political ambition or officer driven.
- 24.5 The Executive Director, Finance & Resources clarified that senior officers saw a role for the council in creating a framework of collaboration with the business sector. The Executive Director, Finance & Resources added that there were two levels of leadership on the issue: political direction from Members and officers delivering on that direction.
- 24.6 Councillor Greenbaum noted that the terminology used for SR31 could be construed as negative with regard to schools' performance and suggested that the description be changed. The Committee were in agreement that the risk owner is recommended to change the title ahead of the next meeting.
- 24.7 The Executive Director, Health & Adult Social Care provided a verbal update and answered Members questions for SR13: Not Keeping Vulnerable Adults Safe and SR20: Inability to Integrate Health and Social Services at a Local Level and Deliver Timely and Appropriate Interventions.
- 24.8 Councillor Sykes noted a worrying rise in homelessness in the city that had increased tensions in local communities including Norfolk Square in his own ward. Councillor Sykes enquired as to measures being taken to address such challenges. Furthermore, Councillor Sykes noted the criticism directed toward the council's Prevent Strategy.
- 24.9 The Executive Director, Health & Adult Social Care stated that homelessness and rough sleeping was a very important issue and the council was working on how best to provide support to those in need. In the event there was any safeguarding aspect, that would be addressed in the same manner as any other safeguarding cases. The Executive Director, Health & Adult Social Care stated that the council had been part of a high profile case relating to its Prevent Strategy that it had learnt from and actions for improvement were underway.
- 24.10 The Chair enquired whether the outsourcing of obligation and risk might represent a challenge to the provision of safe homes particularly in relation to the recent CQC inspection ratings.
- 24.11 The Executive Director, Health & Adult Social Care stated that it was his responsibility to ensure provision, be that through the council's care provision or outside providers.

Contract management meetings were held every month and the council worked very actively with care homes to resolve any issues.

- 24.12 The Chair asked if effective contract management was in place as there had been issues in other areas of the council.
- 24.13 The Executive Director, Health & Adult Social Care stated that contract management in relation to care and care homes was to a good standard but improvements could always be made.
- 24.14 Dr Horne asked if the traditional barriers affecting integration of health and social care services such as workforce matters, information sharing and misaligned financial systems had been removed.
- 24.15 The Executive Director, Health & Adult Social Care stated that good relationships had been established, there were effective communication in place and there had been a significant shift in right direction in relation to information sharing. There would be continuing challenges to overcome in relation to changeability.
- 24.16 The Executive Director, Finance & Resources stated that better systems meant there was now a much clearer idea of how and where money was spent in the city and that would assist in making budgets clearer and more co-ordinated.
- 24.17 Dr Horne stated that the ongoing financial stability of the NHS was of real concern and that could lead to integration being sidelined to ensure a balanced budget. Dr Horne stated that it was very important to ensure a smooth financial transition and to manage risk.
- 24.18 The Executive Director, Finance & Resources agreed with the comments made adding that work would have to be conducted in a collaborative and monetary protective way.
- 24.19 Councillor Sykes expressed his concern that mismanagement could have a potential consequence of a removal or reduction in Better Care funding.
- 24.20 The Executive Director, Finance & Resources stated that Better Care funding was guaranteed for the next two years although due to national factors, levels of funding subsequent to that period were unknown.
- 24.21 The Executive Director, Finance & Resources and the Head of Strategy & Engagement provided a verbal update and answered Members questions for SR10: Information Governance failures leading to financial losses and reputational damage.
- 24.22 The Chair asked if there were ongoing resource concerns in relation to Information Governance.
- 24.23 The Executive Director, Finance & Resources confirmed that there was some risk and in response, a specification of what was required was currently being drawn up and would be submitted to the Modernisation Board for consideration in the near future. Progress and understanding had been helped by the opportunity to work with Orbis partners. The Executive Director, Finance & Resources added that it was currently likely that very few

organisations would be General Data Protection Regulation (GDPR) compliant by the 2018 deadline however, it was important for the council to demonstrate that it was en route to compliance.

24.24 Dr Horne requested clarification on where responsibility for Information Governance was assigned in the council's committee functions.

24.25 The Senior Lawyer clarified that Policy, Resources & Growth Committee would receive a report to its next meeting that would recommend that the Audit & Standards Committee be assigned oversight for Information Governance.

24.26 The Executive Director, Finance & Resources and the Head of Strategy & Engagement provided a verbal update and answered Members questions for SR18: Service outcomes are sub-optimal due to the lack of appropriate tools for officers to perform their roles

24.27 Councillor Cattell asked what efforts were being made to consistently upgrade software.

24.28 The Head of Strategy replied that some systems would only operate using older software and therefore, in some cases updates were not applied to ensure those programs would continue to work.

24.29 **RESOLVED-**

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

## **25 AUDITED STATEMENT OF ACCOUNTS 2016/17**

25.1 The Committee considered a report of the Executive Director, Finance & Resources that provided information about the audit of the council's 2016/17 Statement of Accounts and recommended approval of the 2016/17 audited accounts and the Letter of Representation on behalf of the council.

25.2 Councillor Sykes asked for clarification on the auditing arrangements for the Housing Benefit Subsidy Claim.

25.3 The Deputy Chief Finance Officer clarified that under the new arrangements, there would be responsibility for local authorities to procure the service however, there would also be a change in process whereby the Claims would be reviewed by a suitably qualified, independent accountant rather than formally audited.

**25.4 RESOLVED-** That the Audit & Standards Committee:

- 1) Notes the findings of the auditor (EY) in their Audit Results Report (ARR). The ARR is a separate item on this agenda.
- 2) Notes the results of the public inspection of the accounts (Section 5).
- 3) Approves the Letter of Representation on behalf of the council (Appendix 1).
- 4) Approves the audited Statement of Accounts for 2016/17.
- 5) Note the acceptance of Grant Thornton as the proposed auditor appointment to Brighton & Hove City Council from 2018/19.

**26 ERNST & YOUNG AUDIT RESULTS REPORT 2016/17**

- 26.1 The Committee considered a report of Ernst & Young that summarised the findings of the 2016/17 audit and included key messages arising from the audit of the financial statements and the results of work undertaken to assess the council's arrangements to secure value for money on its use of resources. Representatives from Ernst & Young stated that they were in a position to give an unqualified opinion of the council's financial statements subject to full completion of outstanding areas of work. A unqualified opinion would be issued for the council's value for money arrangements as Ernst & Young were satisfied that the council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.
- 26.2 Councillor Cobb noted the payments due under PFI arrangements and asked who had agreed to enter into PFI contracts and whether the council would be in a better position to deliver services if it had not entered into the arrangements.
- 26.3 The Deputy Chief Finance Officer replied that PFI agreements were popular across local government during the 1990's and 2000's and were backed by government grant funding. In relation to the council's arrangements, three PFI agreements were in place for Jubilee Library, a Joint Waste PFI with East Sussex County Council and a schools PFI all of which were kept under review to see if the contract terms could be renegotiated or restructured at appropriate junctures. The council had in the past removed 'soft services' and one of the schools from its schools PFI arrangement however in most cases it would normally be prohibitively expensive for the council to withdraw wholly or partly from PFI contracts given the loss of government grant funding that would accompany such a decision.
- 26.4 Councillor Cobb asked for further detail on the precise figure of central government funding in proportion to the council's payment obligations.
- 26.5 The Deputy Chief Finance Officer stated that he did not have the information readily available but figures could be circulated after the meeting.
- 26.6 Councillor Cobb noted that the EY value for money assessment identified that the council were in the highest 10% of statically similar authorities for Adult Social Care spending and highest 5% for spending for Children & Young People Services and

Housing Services. Councillor Cobb asked what action was being taken to bring spending down.

- 26.7 The Deputy Chief Finance Officer confirmed that was a true position and one arrived at through the choices made by Members over time. Furthermore, a higher spend also reflected that Brighton & Hove had some different characteristics in terms of its demographic profile and the level of support that its residents required. The key point to note however was that Members' choices were always made in the full knowledge of comparative cost of services.
- 26.8 Councillor Sykes noted that significant time had been spent considering a complaint made in relation to Lender Option Borrower Option (LOBO) loans and asked whether a reasonableness clause existed similar to that applicable to Freedom of Information requests. Furthermore, Councillor Sykes noted that a slight change in tone relating to the assessment of value for money arrangements and asked whether this represented an acceptance that this was not caused by poor performance.
- 26.9 Paul King stated that the investigation into the complaint made relating to LOBO loans had taken time due to the technical detail of the matter and because the process was quasi-judicial by nature. He added that 24 objections had been made nationwide and he was not aware of any that had been determined. Paul King noted that the complainant potentially had the right of appeal and due to the legislation in place, the costs of the investigation would fall upon the council. In relation to the terminology of the value for money conclusion, Paul King explained that steps had been taken by the council such as a four year budget planning and detailed saving plans that provided assurance. Furthermore, there was a reflection upon the particular demographic characteristics that Brighton & Hove needed to serve.
- 26.10 The Chair noted that a large undervaluing of Hove Town Hall had occurred and asked EY whether they had found that to be a trend during their undertakings.
- 26.11 Paul King stated that undervaluation did occur in Brighton & Hove slightly more than other areas however, there had been increased focus by EY in the area prompted by emphasis by the regulator. Paul King added that valuations were broad assessments that could have different assumptions and a small tweak in valuation could have a large effect.
- 26.12 Councillor Lewry noted that the total number of employees receiving more than £50,000 remuneration had increased by ten individuals in the financial year. In addition, Councillor Lewry enquired as to who was responsible for determining termination benefits.
- 26.1 The Deputy Chief Finance Officer stated that the increase in employees receiving more than £50,000 remuneration could be related to many factors including pay awards or service restructuring which could have brought more officers into a higher pay band . On the matter of termination benefits, the figures would include the voluntary severance savings programme that was taken into account in budget saving plans. Decisions on higher value payouts such as for termination of a Chief Executive were jointly determined by the Chief Finance Officer, Monitoring Officer and were reviewed by external audit. Decisions for other staff were made by an officer Compensation Panel

which reviewed cases against set business criteria with part of that criteria being that savings would be recovered after a two year period.

- 26.13 Dr Horne asked if the recommendations and areas of audit focus made by EY could be tracked and reported back to the committee as part of the regular Internal Audit reports considered. The Committee agreed to the request.
- 26.14 Diane Bushell noted that there were three areas of audit focus that had not been fully implemented and asked for assurance that these would be addressed.
- 26.15 Paul King stated that the reasons for the absence of implementation were unclear. EY would track the areas of audit focus through the audit for 2017/18 and any actions that may be taken by the council through the year.
- 26.16 The Chair noted that there had been a significant rise in long term debtors and enquired as to the reasons behind that.
- 26.17 The Deputy Chief Finance Officer clarified that there could be a number of reasons behind the rise and he would gather the specific detail and circulate an update to the committee members subsequent to the meeting.
- 26.18 **RESOLVED-** That the Committee note the findings set out in the 2016/17 Audit Results Report.

## **27 INTERNAL AUDIT AND CORPORATE FRAUD PROGRESS REPORT**

- 27.1 The Committee considered a report of the Executive Director, Finance & Resources that summarised the progress made against the Internal Audit and Corporate Fraud Plan, the key issues identified and action being taken and progress made by management in implementing audit recommendations.
- 27.2 Diane Bushell stated that there were a number of high priority recommendations and it would be useful for the committee to know which were most concerning, information on the likely impact of non-implementation and details on any factors that had cause non-implementation. Diane asked if revised dates for implementation could be assigned where the original timescale had not been met. Furthermore, Diane noted her concern that the three school audits conducted so far had only received partial or minimal assurance and asked if more needed to be done in this area.
- 27.3 The Principa lAudit Manager agreed to include more narrative about risk, impact and progress on overdue high priority recommendations in future report. That would also include a red, amber, green rating and a revised implementation date. An assessment of the impact of non-implementation is possible but is more difficult. All recommendations have their priority determined by an analysis tool. The three school audit opinions were of some concern. Ten school audits would be completed by year end and there was a prioritisation system in place. Where a minimal assurance opinion was assigned, the audit team would return to the school within six months to measure the improvements made.



27.4 The Executive Director, Finance & Resources added that a new performance management system had been introduced and a suite of performance indicators that included reference to whether Internal Audit recommendations were being implemented on time.

27.5 **RESOLVED-** That the Audit & Standards Committee note the report.

## **28 CODE OF CONDUCT FOR EMPLOYEES**

28.1. The Committee considered a report of the Head of Law & Monitoring Officer that sought approval for a number of amendments to the council's Code of Conduct for Employees.

28.2. Councillor Cobb stated the report was a thorough update, noting that the Code of Conduct for Employees had last been updated in 2013. Councillor Cobb asked if the updates were prompted by the staff disciplinary issues found by Internal Audit in 2013.

28.3. The Principal Audit Manager confirmed that part of the update to the Code of Conduct did relate to work undertaken by Internal Audit but also linked to the staff behaviour framework and other policies initiated since 2013.

28.4. The Chair noted that the council's recognised Trade Unions had been consulted on the proposed changes and asked if any feedback had been received.

28.5. The Senior Lawyer confirmed that the council's recognised Trade Unions had provided input in a meaningful way and had not raised any substantive objections as far as she was aware.

28.6. **RESOLVED-**

### That the Audit & Standards Committee:

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

### That Full Council:

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

## **29 STANDARDS UPDATE**

29.1 **RESOLVED-** That the Committee notes the information provided in the Report on member complaints and on standards-related matters.

## **30 ITEMS REFERRED FOR COUNCIL**

30.1 No items were referred to Full Council for information.

## **31 ITEMS FOR THE NEXT MEETING**

31.1 As per minute item 19.2

The meeting concluded at 6.40pm

Signed

Chair

Dated this

day of