

# Auditor's Annual Report on Brighton and Hove City Council

Year ended 31 March 2021

Brighton and Hove City Council  
March 2022 - finalised



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We are required under s 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) in 2020 requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. 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.



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Executive summary



## Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made



## Financial sustainability

Brighton and Hove City Council reported an underspend on the General Fund Revenue Budget for 2020-21, but the future outlook is challenging. Some 32% of savings planned for 2021-22 were at risk in Month 5 and the budget for 2021-22 had already factored in internal "smoothing" from reserves in order to achieve the forecast position.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Authority but as the Council moves towards planning for 2022-23 and beyond, enhancing savings data in the revised Medium Term Financial Strategy; revisiting the Enterprise Strategy; and considering a new Workforce Strategy may all help with robust planning for what lies ahead. We have noted three improvement recommendations around these points.

At the time of writing this report, a General Fund Budget and Resources update for 2022-23 has been presented to Members in mid-December 2021, in recognition of ongoing cost pressures, including around pay. Note that this update still needs to be updated with final estimates for some of the key forecasts in January 2022 - we have therefore commented within this report on the detail of the budget and medium term position as forecast at February 2021.

Further details can be seen on pages 5-12 of this report.



## Governance

We found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We noted some areas where the work of Committees may not be optimised under current arrangements and an area for reviewing DLUHC data returns. We have noted two improvement recommendations around these points.

Further details can be seen on pages 13-18 of this report.



## Improving economy, efficiency and effectiveness

We found no evidence of significant weaknesses in the Council's arrangements for ensuring that it manages risks to and oversight of the economy, efficiency and effectiveness of its use of resources. We identified some opportunities for improvement around refreshing and updating documentation for working with partners across the City and the Council's website. We also noted scope for updating internal procurement documentation. We noted three improvement recommendations around these points.

Further details can be seen on pages 19-24 of this report.



## Opinion on the financial statements

We have completed our audit of the Council's financial statements and we issued an unqualified audit opinion on 2 December 2021.

Our findings are set out in further detail on page 27.

# Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

Local authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:



## Financial Sustainability

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Authority makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of COVID-19, is set out on pages 5 to 21.





# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

## Building Financial Pressure into Plans

In 2020-21, the Covid-19 pandemic led to a series of rapid fluctuations in Brighton and Hove City Council's estimates and forecasts as new responsibilities and costs fell on the Council; commercial income streams contracted; and government one-off funding packages were announced. By the end of the year, the Council reported an underspend of £9.733M on the General Fund Revenue Budget (after accounting for £23.244M Covid-19 grant funding received) and a £0.436M underspend on the Housing Revenue Account. The Council's General Fund Working Balance Reserve stood at £19.088M on 31st March 2021 and Other General Fund Earmarked Reserves stood at £81.527M as at that date.

Notwithstanding this overall positive final outcome for 2020-21, the future outlook is challenging and financial pressure was built into the Council's plans for 2021-22 and beyond. Brighton and Hove's Medium Term Financial Strategy for 2021-22 to 2025-26 identified an in-year savings requirement of £10.644M for 2021-22. The Strategy also anticipated budget gaps of £11.007M in 2022-23 and additional cumulative budget gaps of £13.312M over the three years 2023-24 to 2025-26. In addition, the General Fund Revenue Budget, Capital & Treasury Management Strategy for 2021-22 proposed internal "smoothing" (borrowing from the reserves) of £3.971M for 2021-22, but planned for repayment to the reserves over the ten years starting 2022-23.

At the time of writing this report, a General Fund Budget and Resources update for 2022-23 had been presented to Members at the Policy and Resources Committee meeting on 2 December 2021. This provided members with an updated forecast position for the 2022-23 financial year and the following 3 years including the following:

- Changes in assumptions since the February 2021 Medium Term Financial Strategy and subsequent July 2021 update;
- Revised estimates of demographic and cost trends based on the latest information and forecasts;
- The key estimated impacts of the Chancellor's 3 year Spending Review 2021 and updated tax base forecasts (noting that some of these estimates will be finalised by the Council in January/February 2022 in finalising the 2022/23 budget);
- The cost of resolving the recent industrial dispute.

This updated position shows a more favourable cumulative budget gap (after draft savings identified for the 2022/23 year) of £19.095M, compared to the previously forecast cumulative gap of £24.319M. However, this budget and medium term plan still needs to be finalised in early 2022, and this position includes stated draft savings proposals of £8.540M which as observed below are not guaranteed to be realised and come with significant risk.

## Identifying Achievable Savings Plans

The £10.644M savings package approved by the Council for 2021-22 followed on from plans for £10.291M savings in 2020-21. Some 28% (£2.909M) of the 2020-21 planned savings were not achieved, although 80% of the amount not achieved (£2.303M) related to Covid-19 impacts. Most of the remainder of unachieved savings for 2020-21 were reported in Health and Adult Social Care Services and the Housing General Fund. Adult Services face ever increasing demand and also, in 2020-21, took on accelerated hospital discharge to free-up bed-spaces for Covid-19. Housing Services have been affected by rising prices for spot purchase of temporary accommodation; significant increases in the numbers needing accommodation during the pandemic; and a discretionary decision to continue with "everyone in" policies after the Council's statutory duty ended.

Month 5 Budget Monitoring for 2021-22 indicates that some £3.3M (32%) of the savings planned for 2021-22 are at risk of not being achieved. Within this, only 9% (£890K) was expected to be because of Covid-19. As mentioned above £8.540M of stated draft savings proposals are currently built into the budget gap in the 2022/23 year of £9.465M, and if there was a similar level of savings not realised this would lead to the gap in 2022/23 increasing to £12M. The 2021-22 plans relied heavily on savings in Health and Adult Social Care and Families, Children and Learning. 66% of all savings for 2021-22 were expected to be from those directorates. Month 5 data for 2021-22 shows that both areas are expected to overspend – with most of the overspend in Health and Adult Social Care Services again. Very little net overspend was forecast in Month 5 for 2021-22 within Housing, but this was largely because gains from delayed contracts are off-setting expected areas of additional cost. The Council has a comprehensive programme of modernisation in place – with significant initiatives planned for both Adult Services and Housing.

# Financial sustainability

For Adult Services these include a community reablement offer and a redesigned front door service to help manage demand. For Housing these include the recruitment of a new Housing Transformation Manager tasked with improving prevention of homelessness and reducing stays in temporary accommodation. However, we note that the Modernisation Portfolio Dashboard for July 2021 RAG rated as RED the modernisation projects for both areas. Target cashable benefits from modernisation of £3.1M were highlighted as at risk (from total cashable benefits of £6.3M) largely because of Adult Services and Housing underperformance against plan.

Many of the Council's underlying challenges pre-date and will post-date the impacts of Covid-19. For example, comparing Brighton and Hove City Council with CIPFA statistical nearest neighbours (Portsmouth, Reading, Southampton and Southend-on-Sea), shows Brighton and Hove recorded the highest spend on housing services per head in 2019-20. The city also has the highest population and, since 2018, the highest total number of vacant properties. Vacant properties are a challenge for all local authorities, particularly those with more complex housing challenges such as Brighton and Hove. The data analysis on the right also shows that within the nearest neighbour group Brighton and Hove also has a high level of vacant properties which are also owned by the Authority. Housing Transformation to reduce vacant periods is an area of focus for the Council, and will be looking to mitigate a relatively longstanding issue for the city.

Brighton and Hove recorded the second highest total spend on Adult Social Care per adult resident aged over 18 in 2021 but also recorded highest number of adult residents aged over 85 that year. There is therefore some evidence that the high spend in Brighton and Hove is due to the more elderly and complex needs of the population demographic as opposed to being indicative of inefficiencies in services. However, the focus of the Council's modernization efforts on services primarily for older adults is therefore timely.

The Medium-Term Financial Strategy for 2021-22 to 2025-26 referred to projections from 2022-23 onwards as a "best estimate as resources, demands, and budget forecasts can change over time". As previously noted, an update around the 2022-23 General Fund Budget and Resources was presented to the Policy and Resources Committee in early December 2021. This has recommended spreading budget gaps over more than one year and benchmarking of service costs to better refine savings plans. This is viewed as the best way to phase the savings as front loading the savings too much could render them undeliverable due to the time and capacity require to implement the changes, and undertake the necessary consultation and engagement.

Given the long-term nature of the challenges it faces, as the Council moves towards finalising the full Medium Term Financial Strategy for 2022-23 to 2026-27, it would be useful in addition to planning to spread savings over a longer timeframe and to benchmark them, to analyse the savings plans between recurrent and non-recurrent elements; estimate risks around the savings plans; and include a 3 to 5 year look back at the historic performance of the Council in achieving their targeted savings (recommendation 1).

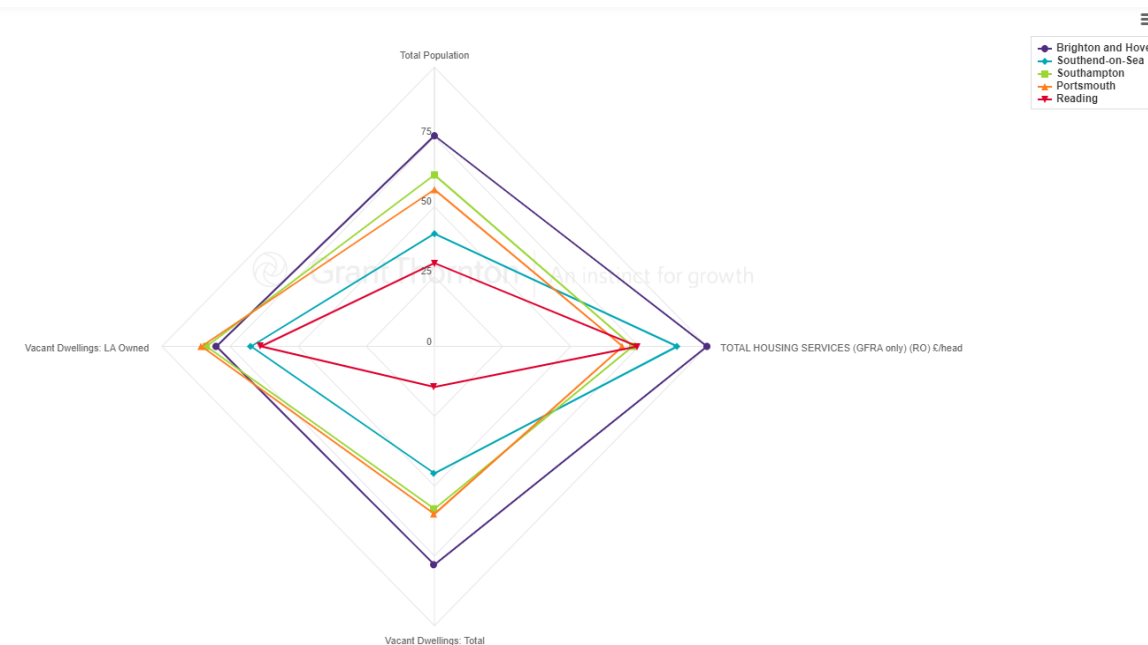
**Figure 1: Comparison of total population in 2021; total vacant dwellings before the start of the Covid-19 pandemic (2018); total LA owned vacant dwellings before the start of the Covid-19 pandemic; and total 2019-20 spend on housing services per head.**

Population: Nomis - <http://www.nomisweb.co.uk>, Mid Year Estimates, 30<sup>th</sup> June 2021

Spend on housing services: MHCLG Annual Return for 2019-20/ mid year population estimate, published 29<sup>th</sup> March 2021

Vacant dwellings: 2018 data published by Ministry of Housing Communities and Local Government (MHCLG) on 3<sup>rd</sup> December 2019, Table 615 Vacant dwellings by local authority district

Vacant dwellings owned by LA: 2018 data published by Ministry of Housing Communities and Local Government (MHCLG) on 3<sup>rd</sup> December 2019, Table 615 Vacant dwellings by local authority district

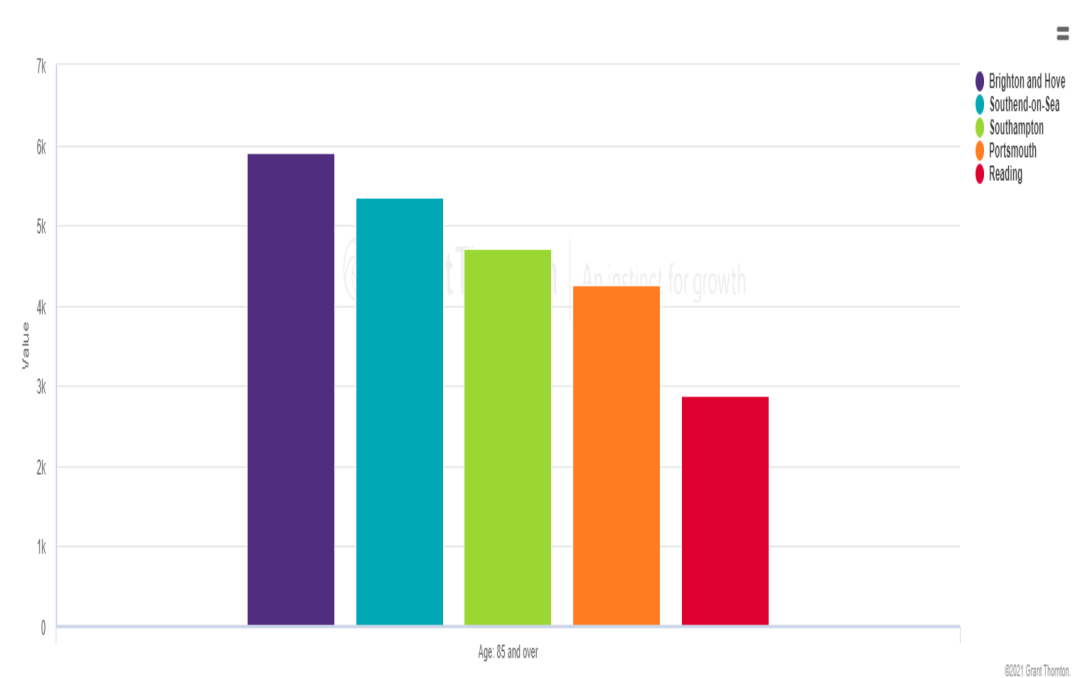
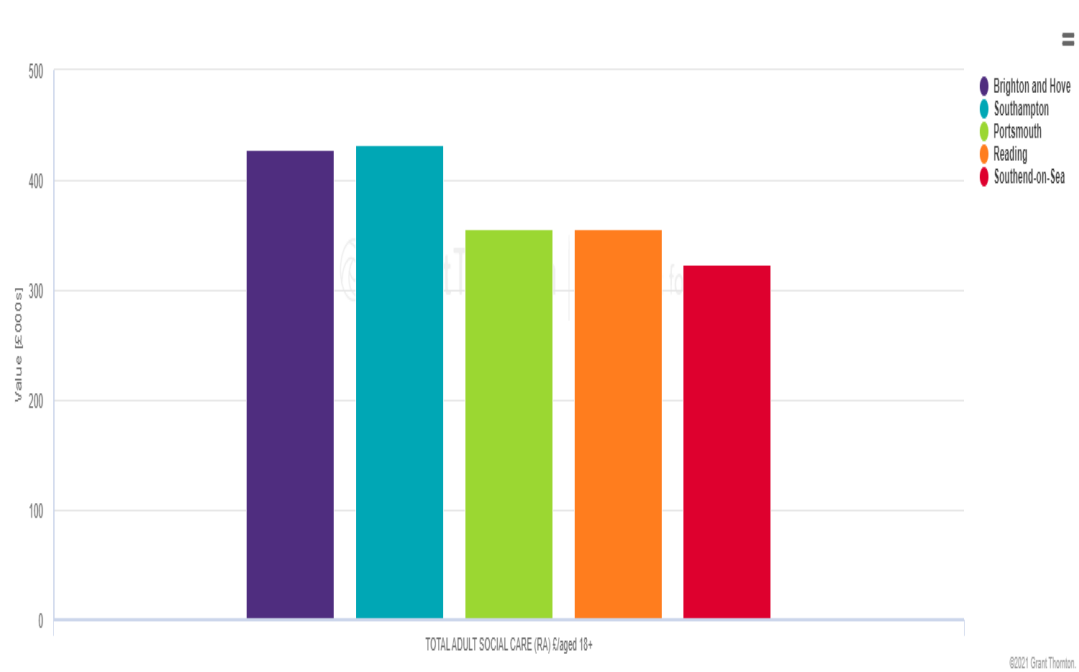


# Financial sustainability

Figure 2: Comparison of total spend on Adult Social Care per Adult aged over 18 in 2021 with total number of adults aged over 85 in 2021

Spend: Mid Year Population Estimates published by MHCLG on 2nd May 2021

Number > 85 years: 30th June 2021 Nomis –Population mid year estimates (<http://www.nomisweb.co.uk>)



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# Financial sustainability



## Sustainable delivery of services in accordance with strategic priorities

The Council's Corporate Priorities are to deliver a city which is Home; Working for all; Strong; Growing and Learning; Sustainable; Healthy and Caring. These Priorities are referenced in the Council's Budget and Planning documents for 2021-22, with the Local Context and links to the Sustainable Community Strategy: 'Brighton & Hove: The Connected City' explained. Local priorities for the City are shown to surround closing Covid-19 equality gaps; collaboration and joint working; and modernisation. There is also clear referencing to discretionary activity within the Budget and Planning documents. The Capital Programme supports the Corporate Priorities – with 43% being planned for spend on housing in 2021-22.

An Enterprise Strategy was approved by the Council in 2017 with the aim of optimising income collection to support the Council's performance and delivery. Fifty service areas were reviewed in 2019 and 2020, with Action Plans produced to improve unit cost calculations; completeness of fee-setting and commercialisation; debt collection; and benchmarking. Processes for tracking implementation of recommendations and rolling out a Unit Cost toolkit were arrested in the wake of the Covid-19 pandemic, with no progress having been made since August 2020. For some areas, repeated lockdowns made progress impossible - for example the Seafront Service recommendation to link with other directorates for maximising income from wedding registration services. Revisiting recommendations that address Enterprise Initiatives within the Council's control will help manage sustainable delivery going forward. The findings of Enterprise Strategy reviews should be revisited at the earliest opportunity (recommendation 2).

## Financial Planning

### Workforce Planning

There are processes in place for budget consultations with staff and trade unions. These normally take place in January and February, although we note that the consultations for 2021-22 were delayed in February 2021 in the wake of the Covid-19 pandemic. The General Fund Revenue Budget, Capital & Treasury Management Strategy for 2021/22 included clear consideration of budget risks around industrial relations and pay award disputes – noting that pay award pressures could only be met through additional resources, such as reserves, or savings, emergency spending or reduced quality of service. The report also included an estimate of resources needed to manage staff change over the next three years and noted at the same time that there would be administrative costs forthcoming as HR services were moved out of the Orbis agreement.

"Our People Promise" documents Brighton and Hove City Council's workforce plan. The Council provides a suite of activities and programmes aimed at workforce retention and training and recruitment. Work is underway to refresh the People Promise and care is taken to keep digitalization and terms and conditions apace with workforce expectations to ensure levels of recruitment and retention remain functional. Staff satisfaction surveys are carried out bi-annually, with management teams discretely receiving their individual sections for consideration and action. The 2021 Survey ("Have Your Say") received a 64% response rate from staff, meaning it gave strong insight into the workforce mood and expectations. An October 2021 workshop to refresh the People Promise started by recognising that the current workforce is ageing and focused mainly on current staff satisfaction and pay and rewards packages. Whilst it is clear from textual comments in the February 2021 Revenue Budget documents that costs of expected workforce change have been considered by the Council, a single Workforce Strategy bringing together an assessment of future staff needs with the People Plan assessments around current resources available is not currently in place.

Labour supply is expected to come under increasing pressure in the UK, and wage inflation is predicted across the UK. The Council's modernisation programme at the same time will change the timing, number and skills of staff needed. A Workforce Strategy that takes a forward look at all staff needs may be a useful tool for bringing HR and Financial planning together and we have noted an improvement recommendation around this point (recommendation 3).



# Financial sustainability

## Capital, Investment and Other Planning

The General Fund Capital Programme for 2020-21 to 2022-23 forecast a total capital investment over the three year period of £249M, with new external borrowings of £104M being required over the same period. The Housing Revenue Account Capital Programme for 2020-21 to 2022-23 forecast capital investment over the three year period of £251M, with new external borrowings of a further £132M being required.

For 2021-22 alone, Capital Programme Investment over the General Fund and Housing Revenue Account together was budgeted to be £221M, including £96M on housing; £29M on regeneration; £28M to support additional school places as demographics change; and £8.25M on modernisation and IT. The Outturn Report for 2020-21 shows that some £40.4M of the capital investment scheduled for that year was reprofiled to later years and that slippage of an additional £3.78M also occurred. The Month 5 Budget Monitoring Report for 2021-22 shows expected slippage of some £4M for 2021-22 but no underspend forecast.

Brighton and Hove City Council has to date maintained a prudent external borrowing position – external borrowings being limited at 85% of the Capital Financing Requirement. Liquidity is well managed (£90M net current assets at 31 March 2021) and the Minimum Revenue Provision has been maintained at 2%. The timing of new external borrowings is uncertain and dependent on the timing of capital project approvals and interest rate movements. However, the Treasury Strategy clearly shows that the timing of internal versus external borrowing is carefully managed to optimise interest rate fluctuations. Quarterly cash flow forecasting was introduced by the Treasury team in 2020-21 and specialist external advisory input is provided by Link Asset Services.

There is a robust process around discussion and approval of investments and other operational activities. For example, we noted clear risk assessment and discussion at the Policy and Resources Committee around decisions in June and December 2020 to restructure a £36M loan to i360 to support Covid-19 recovery. Financial risks around the loan were clearly set out, as were the longer term financial benefits for the City of the attraction. Specialist advisory input and legal due diligence was also included.

The General Fund Revenue Budget, Capital and Treasury for 2021-22 included disclosure around benchmarking against other Authorities for investments and investment risk. Benchmarking was also used by the Council for setting 2021-22 commercial fees and charges income and Housing Revenue Account budget proposals. General Fund service costs benchmarking is currently underway to support an update in December 2021 around the 2022-23 Budget and Resources.

## Managing Risks to Financial Resilience

As noted previously, Budget Proposals for 2021-22 included a proposed “smoothing” (borrowing) from reserves of £3.971M in 2021-22, to be repaid over ten years starting from 2022-23. On 31 March 2021, the balance on the General Fund Working Balance reserve stood at £19M, some £10M higher than the Council’s self-assessed “minimum prudent balance” of £9M. Total Useable Reserves on 31 March 2021 were valued at £147.3M. The CIPFA Financial Resilience Index for 2021 showed relatively low balances of unallocated reserves compared to comparator Authorities at the end of 2019-20, but we note that of the £147.3M held on 31 March 2021, only £6.9M related to schools.

Clear repayment plans were in place for the £3.971M and we have seen clear evaluation of financial impacts to support discussion and the smoothing decision made. However, building a borrowing into the budget for 2021-22 meant that there was no contingency within the Budget proposals. At the time of writing this report, officers were finalising Budget Proposals for 2022-23 in view of the October 2021 Spending Review and other changes to ongoing cost pressures, including pay; therefore, any potential “smoothing” from reserves for 2022/23 is still to be finalised.

## Medium Term Financial Strategy

From our review of planning and budgeting procedures and processes that were used for 2020-21, we are satisfied that the Council identifies and manages risks to financial resilience and challenges the assumptions underlying its plans. The planned 2022-23 update to Members for December 2021 demonstrates that assumptions are kept under review.

We note that the Council is currently preparing the Medium Term Financial Strategy for 2022-23 to 2026-27. The Spending Review announced on 27th October 2021 indicated that local government may be about to receive a 3% increase in core funding and potentially a move back to multi-year settlements. Regional shares of any overall increase in funding are not yet clear. Expected inflationary pressures for 2022-23 may also mean increased funding remains neutral in impact. Changes in business rates to protect businesses from the impacts of Covid-19 are likely to mean reduced income for councils and the extent to which this will be funded by central government is not yet clear.

## Conclusion

Brighton and Hove City Council reported a positive final outturn for 2020-21, but the future outlook is challenging. Some 32% of savings planned for 2021-22 were at risk in Month 5 of that year and the budget for the year had already factored in internal “smoothing” from reserves. As the Council moves towards planning for 2022-23 and beyond, enhancing savings data in the revised Medium Term Financial Strategy; revisiting the Enterprise Strategy; and considering a new Workforce Strategy may all help with robust planning for what lies ahead. We have noted three improvement recommendations 1, 2 and 3 around these points.

# Improvement recommendations



## Financial Sustainability



### Recommendation 1

#### Recommendation

When the Medium Term Financial Strategy for 2022-23 to 2026-27 is prepared, consideration should be given to analysing savings plans between recurrent and non-recurrent elements; estimating risks around savings plans; and including a 3 to 5 year look back at the historic performance of the Council in achieving their targeted savings

#### Why/impact

In Month 5 of 2020-21, the Council estimated that 32% of savings for 2021-22 may not be achieved. Smoothing from reserves has already been planned for 2021-22, leaving no contingency if savings are not delivered. An updated paper to Members in December 2021 has recommended moving towards a longer timeframe for the level of savings now being assessed as needed.

#### Auditor judgement

Given the long-term nature of the challenges the Council faces, realistic assessments around the achievability of savings will form an essential part of planning.

#### Summary findings

Areas for refinement of savings plans noted, to support work already being done around timeframes for savings and benchmarking.

#### Management comment

The council's approved savings programmes only include recurrent savings targets, although these may be split into part-year and full-year effects. Short term savings are effectively treated as one-off resources and are utilised as such in setting annual budgets, but only where they are certain at the time of setting the budget. The report highlights that 32% of savings are at risk in 2021/22 but 8% of this is Covid-related. In 2021/22 savings were underachieved by 28% but 22% of this was Covid-related. The last two years are not therefore typical environments in which to deliver challenging savings targets. A more important indicator has been the council's outturn performance. Despite challenges in the delivery of some savings, the council has achieved financial balance or underspending for the last 10 years without any unplanned use of reserves. Where necessary, any projected underachievement of savings is also taken into account in the budget setting process for the following financial year to ensure that any risks are properly reflected and to maintain financial sustainability. The large savings programmes experienced by this council since 2010 (£199m in total averaging £16.5m per annum) inevitably carry significantly higher risks and this is taken into account in considering the council's overall reserves and working balance which provide short term risk mitigation. Looking forward, a new and more comprehensive Medium Term Financial Strategy will be developed this year which will explore options for adopting more strategic, long term savings and efficiency programmes which will further aid financial planning and resilience.

The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations



Financial Sustainability



## Recommendation 2

### Recommendation

The findings and recommendations of the Enterprise Strategy reviews should be revisited at the earliest opportunity .

### Why/impact

Fifty service areas were reviewed in 2019 and 2020, with Action Plans produced to improve unit cost calculations; completeness of fee-setting and commercialisation; debt collection; and benchmarking. Processes for tracking implementation of recommendations and rolling out a Unit Cost toolkit were arrested in the wake of the Covid-19 pandemic, with no progress having been made since August 2020.

### Auditor judgement

In an environment where cost reductions are difficult and savings are hard to achieve, opportunities to maximise efficiency and commercialisation of revenue generating services will play an important role in sustainable delivery.

### Summary findings

The Enterprise Strategy was arrested during the Covid-19 pandemic but should now be revisited.

### Management comment

The Enterprise Strategy has concluded as a programme but did provide all services with a useful set of recommendations for understanding and comparing costs and to use this information to drive improvements in Value for Money. The programme was lengthy and comprehensive and has provided a wide range of information and challenges for services to consider. While we do not intend to go over this ground again, the council will be embarking on the development of a new and more comprehensive Medium Term Financial Strategy (see response to Recommendation 1) and will make reference to the Enterprise Strategy reviews and action plans to ensure that these are embedded in forward planning and, in particular, that priority areas for VfM improvement are identified as part of the MTFS.

The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations



Financial Sustainability



## Recommendation 3

<b>Recommendation</b>	Consideration should be given to producing and using a single Workforce Strategy bringing together an assessment of future staff needs with the People Plan assessments around current resources available.
<b>Why/impact</b>	Labour supply is expected to come under increasing pressure in the UK, and wage inflation is predicted across the UK. Modernisation at the same time will change the timing, number and skills of staff needed. Workforce management is effective and is supported by a number of tools, but at the time of writing this report, a written Workforce Strategy was not in place to provide an overarching framework.
<b>Auditor judgement</b>	A Workforce Strategy that takes a forward look at <u>all</u> staff needs may be a useful tool for bringing HR and Financial planning together.
<b>Summary findings</b>	There is scope for enhancing the current framework for managing the workforce.
<b>Management comment</b>	Our People Promise has been in place since 2017. This has provided a strategic framework for the actions we have taken to achieve a sustained improvement in employee engagement (measured through our bi-annual staff survey), addressing recruitment and retention challenges and improving outcomes related to our Fair and Inclusive Action Plans (e.g. workforce profile). We have embarked on a review of Our People Promise, and through analysis of our organisational data, collaboration with stakeholders and an assessment of the current workforce context we aim to develop a single workforce strategy. This work will be progressed alongside the development of the Medium Term Financial Strategy. The intention would be to bring a refreshed workforce strategy to committee in Autumn 2022.

The range of recommendations that external auditors can make is explained in Appendix B.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards

## Monitoring and assessing risk

Brighton and Hove City Council has a comprehensive system in place for monitoring and assessing risk. The Performance, Improvement and Programmes team supports quarterly risk reviews by Directorates – which feed into Executive Leadership Team updates to the Strategic Risk Register for the Audit and Standards Committee. The Strategic Risk Register is scrutinized at every Audit and Standards Committee meeting. The content of the Strategic Risk Register is informative – it includes, for each Risk, causes/ controls/ comments/ responsible officer/ link to corporate plan/ risk RAG ratings (initial, revised and future)/and other discussion. A “Focus on Strategic Risk Item” is provided to Committee members and the Committee receives a “Guide to BHCC Risk Management Processes” and “Suggested questions for Members to ask Risk Owners and officers on Strategic Risks” at every meeting. There are deep dives on at least two Strategic Risks at every Audit and Standards Committee meeting.

The Internal Audit function is effective and provided through the Orbis joint working arrangements with two other Councils. The Internal Audit programme of work is risk based and covers a broad cross section of Financial, Asset Management and Operational systems through the year. The first quarter of 2020-21 saw almost full redeployment of internal audit services to support Brighton and Hove’s response to the Covid-19 pandemic. Nevertheless, by the end of 2020-21, the planned programme of work had recovered and only one key financial system audit was deferred. In all, 21 Assurance Reports were still provided by Internal Audit for the year, with Housing/ Temporary Accommodation being the only system where Minimal Assurance was given (in connection with poor financial data for forecasting; poor arrears and debt collection; and poor procedures around write-offs). The Internal Audit team includes a Counter Fraud team.

Principal areas of the Council’s work are within the remit of the Policy and Resources Committee. The Committee oversees policy, finance and performance, information governance (shared with the Audit and Standards Committee); major capital projects, grants, partnerships; premises and property; value for money, customer satisfaction; HR; and digital. The annual programme of work for the Policy and Resources Committee includes scrutiny of the Strategic Risk Register only once a year in July. For the July 2021 meeting, the Committee delegated this item to officers so that the Committee’s own agenda could be kept at a manageable size. In effect, this means there has been no discussion around the Strategic Risk Register at the Policy and Resources Committee since July 2020. Observations around sharing remits between Committees are noted in the Leadership and Committee effectiveness section of this report below and an improvement recommendation has been made around this point (recommendation 4).



# Governance

## Budgetary Setting Process

Budget savings and modernisation proposals originate within service directorates and are processed through the Executive Leadership Team and the Corporate Modernisation Delivery Board. Draft Budget and Council Tax proposals are produced in December each year and finalised in February the following year. In January 2021, the Council engaged with a Local Government Association (LGA) Peer Review to challenge and critically assess budget proposals for 2021-22.

The Peer Review highlighted key risks to financial performance in 2021-22 as the costs of continuing the 'everyone in' approach for homelessness and rough sleeping; the spiralling demand for adult social care; and the reliance on commercial income from retail investments and parking fees – given the seafront attraction focus of the City. Robust discussion from the Executive Leadership Team was documented around each point, with mitigations presented and evaluated before the budget was finalised.

## Budgetary control

Services monitor their budget position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. Budget Monitoring reports are prepared for the Executive Leadership Team every month – by the Finance team but drawing on the latest information provided by the directorates. The reports detail progress against targets by directorates and the updating of savings risks and service pressures – with variances analysed and explained, showing Covid and non-Covid elements. The Policy and Resources Committee reviews the Budget Monitoring Reports on a quarterly basis.

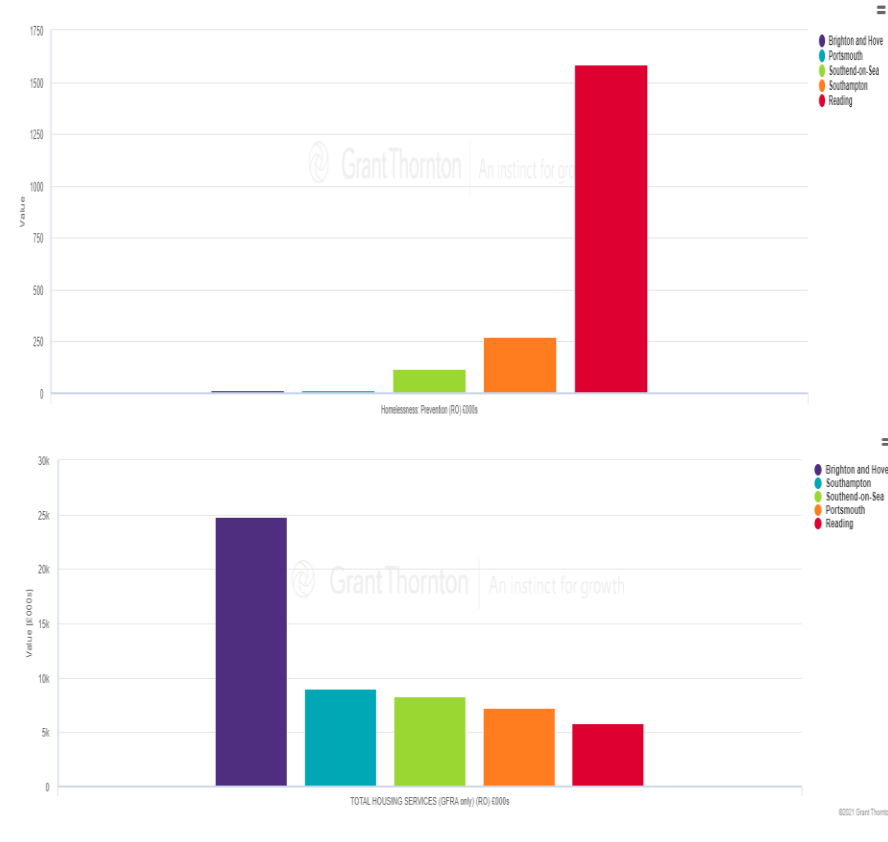
Modernisation Programmes, which include savings, are overseen by the Corporate Modernisation Delivery Board, with traffic lighted risk registers and a Portfolio Dashboard being used to track progress.

Brighton and Hove also provided statistical data for 2020-21 to the Ministry for Housing, Communities and Local Government (MHCLG at the time, now DLUHC - the Department for Levelling Up, Housing and Communities). This data was not subject to external audit but can provide central government with strong insight into risks and issues at local level. From a review of housing costs data submitted to MHCLG for 2019-20, we noted that "zero" costs had been reported for homelessness prevention whilst at the same time the Council reported higher spend on housing services than the nearest neighbours Portsmouth, Reading, Southampton and Southend-on-Sea and was assessing whether to employ a Housing Transformation Manager. Going forward, consideration should be given to whether analysis to DLUHC is fairly reflecting the true nature of local spend (recommendation 5).

**Figure 3: Comparing reported spend on homelessness prevention with reported total spend on housing services**

Prevention: MHCLG annual data for 2019-20 published 29<sup>th</sup> March 2021, Homelessness: Support - Support costs should include floating support of people in temporary accommodation. - This value refers to net current expenditure

Total spend: MHCLG Annual Return for 2019-20, published 29<sup>th</sup> March 2021



# Governance

## Leadership and committee effectiveness/decision making

The Policy and Resources Committee has a large programme of work and oversees policy, finance and performance, information governance (shared with the Audit and Standards Committee); major capital projects, grants, partnerships; premises and property; value for money, customer satisfaction; HR; and digital. There are seven additional Committees focused on service delivery (broadly, Housing, Children, Tourism, Environment, Planning, Licencing and Health and Wellbeing).

We reviewed a sample of decision papers to the Policy and Resources Committee during 2020-21. They covered areas as diverse as the Sports Facility Contract Extension; the Waterfront Project; Rough Sleeping and Temporary Accommodation; and the i360 loan. Papers were timely, clear, well evidenced, included impacts assessments and outlined alternative options, and provided good platforms for decision-making.

In 2020-21, a new Sub-Committee was created for the Policy and Resources Committee to deal with the impacts of Covid-19: The Recovery Sub Committee. This is in addition to an existing Sub Committee for Urgency. Despite this, the Policy and Resources Committee did not have capacity in July 2021 to cover all the standing items on its' programme of work. The Strategic Risk Register; 2020-21 Year End Corporate Indicator Report; and 2020-21 Customer Insight Report were all delegated to officers. Also, Corporate KPI target setting for 2022-23 was deferred until the Committee's October meeting in the interests of keeping the July agenda manageable. The July 2021 Policy and Resources Committee papers show that even after adjustments, 23 items were included on the agenda for the main meeting and another 12 items were included within the reports pack for July as delegated to officers for "decision under delegated powers".

Although information going to the Policy and Resources Committee is of an appropriate quality to support effective decision-making, and call over options are flagged in Committee papers, the workload of the Committee still seems high. There may be some areas of duplication and scope for streamlining remits between Committees. We reviewed as an example, processes for reporting on major capital projects. There is a Strategic Development Board overseeing major capital projects as a whole and three other standalone Advisory Boards overseeing:

- King Alfred – replace King Alfred Leisure Centre/ extend sports provision across west of the City.
- Waterside – new venue and conference centre to replace Brighton Centre
- Madeira terraces – Restoration of 30 arches

The Environment and Tourism Committee owns the Strategic Risks around infrastructure projects on the Strategic Risks Register. However, from review of the Constitution's Terms of Reference for Project Boards, we note that although the Strategic Development Board reports to the Tourism, Equalities, Communities and Culture Committee as well as the Policy and Resources Committee, the other three Advisory Boards only report to the Policy and Resources Committee.

There may also be scope for rationalising scrutiny. Scrutiny of Children's and Adult's Health and Social Care is provided by the Health and Overview Scrutiny Committee. There is no specific separate scrutiny committee for the Council's other functions. Management groups include a Policy, Partnership and Scrutiny Team reporting to the Monitoring Officer but this arrangement increases the risk that scrutiny will either be under reported in the public domain (only Committee papers are published) or incorrectly channelled to the Audit and Standards Committee, potentially increasing The Audit and Standards Committee's workload.

Under current arrangements, there is a risk that Committee effectiveness is not being optimized. There is slippage in some programmes of work and possible duplication and/ or gaps in others. Consideration should be given to the effectiveness of current arrangements and an improvement recommendation has been raised around this point (recommendation 4).

# Governance



## Monitoring and ensuring appropriate standards

The Internal Audit team includes a Counter Fraud team and an Anti-Fraud Strategy was shared with the Audit and Standards Committee in March 2020. There is a suite of other policies in place within the Constitution – for example covering codes of conduct (including sections on gifts and hospitality), whistleblowing, and conflicts of interest.

Within the senior officer groups, the Governance Assurance Meeting Team (GAMT) manages executive aspects of governance. Appropriate care is taken to ensure good governance and we note that the GAMT commissioned a CIPFA review of the Audit and Standards Committee during 2020-21. Any recommendations adopted from the CIPFA review may need to be reflected in the Constitution and Annual Governance Statement for 2021-22.

## Other - Management Structure

A Management Structure Chart is shown on the Council website, although we note that at the time of writing this report, the chart showed some vacancy and interim cover at a senior level within Finance. We note that a restructuring of senior positions is scheduled for discussion at the Policy and Resources Committee meeting in December 2021. Any changes agreed will need to be reflected within a revised Structure Chart. More generally, we noted two other areas where the Council's website needs to be updated: The Constitution is shown as 2012 whereas it is continuously updated, and the Executive Leadership Team is shown as meeting six monthly whereas it meets on a monthly basis. Recommendation 6 of this report notes other areas needing updates and that the Council may wish to consider a single catch-up exercise.

## Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages risk but we noted some areas where the work of committees may not be optimised under current arrangements. We also noted an area for reviewing DLUHC data returns and areas where disclosure in published documents and on the website may need updating. We have noted improvement recommendations 4, 5 and (Page 16) 6 (Page 20) around these points.

# Improvement recommendation



## Governance

### Recommendation 4

#### Recommendation

Consideration should be given to rationalising the work of Committees. This could include changing the remit and programmes of work; or using more sub committees; or delegating different items to officer groups. Where agendas are still long, consideration should be given to whether call over options are fully utilised.

#### Why/impact

Under current arrangements, there is a risk that Committee effectiveness is not being optimized. There is slippage in some programmes of work – for example, the Strategic Risk Register has not been reviewed by the Policy and Resources Committee since July 2020. There is possible duplication and/ or gaps in other areas, including scrutiny, audit and standards.

#### Auditor judgement

The skills and expertise and oversight and scrutiny functions of Committees may not be optimised under current arrangements. For example, the Policy and Resources Committee workload is high but does not allow for regular review of Strategic Risks and Corporate KPIs and the work of the Audit and Standards Committee is at risk of being deflected by scrutiny matters that may be better addressed elsewhere.

#### Summary findings

There may be scope for rationalising Committee functions to make better use of their skills and oversight.

#### Management comment

The council keeps its Constitution under continual review and has set up a cross-party Constitutional Working Group (CWG) to assist with this by considering proposals and advising the Council on proposed changes to the Constitution. Committees generally work best when they reflect the administrative organisation of the council (i.e. Directorate structure) which ensures that business is then properly channelled and supported by Chief Officers. However, the workings and membership of committees and working groups is kept under review with the aim of ensuring they are only maintained where absolutely necessary. There is also currently an Independent Review of the Audit & Standards Committee and this may further assist in improving the efficiency of the committee and its links with policy-making committees, particularly Policy & Resources Committee. Currently, extended officer delegations are being used to reduce committee time and therefore Covid infection risks and this process will be reviewed with a view to longer term implications for managing committee business.

The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation



## Governance

### Recommendation 5

#### Recommendation

Data reporting to the Department for Levelling Up, Housing and Communities should be reviewed for accuracy and where necessary revised.

#### Why/impact

From a review of housing costs data to the former MHCLG in 2019-20, we noted that “zero” costs had been reported for temporary accommodation – suggested incorrect analysis and posting.

#### Auditor judgement

No impact on the Council’s internal financial management but may point to inaccuracy in statistics gathered for other parties.

#### Summary findings

Data currently submitted to DLUHC should be reviewed and where necessary revised.

#### Management comment

The return in question is the 2019/20 RO (revenue outturn) return to DLUHC. The reference is to a nil value on the detail line in the return labelled “Homelessness Prevention”. DLUHC are fully aware that the detailed lines in the RO return do not and cannot accurately reflect all of the different local management accounts for income and expenditure for services maintained by councils and therefore that many local authorities cannot provide analysis at this level. In BHCC, to provide this analysis the net spend would need to be unpacked and a split would need to be estimated. However, as this would be arbitrary, the Authority prefers not to disclose inaccurate information. Please note that the overall total net spend reported for “Homelessness” to government is £3.2 million and this is accurate and complete. The council would suggest that future interpretation of local net spending focuses on summary level figures to ensure consistency of reporting across the sector.

The range of recommendations that external auditors can make is explained in Appendix B.



# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits

## Performance review, monitoring and assessment

Corporate Key Performance Indicators (KPIs) are developed at Directorate Management Team level – each Directorate has a KPI plan and reports quarterly to the Performance, Improvement and Programmes Team and to the Executive Leadership Team against that plan. Targets are set at the beginning of the year and monitored through the year. KPIs cover a broad range of financial, performance and quality based indicators covering the areas of performance which we would expect.

Within the directorates, line managers are required to complete mandatory training on performance indicator reporting for their area and on how it links to corporate governance. A “Corporate Governance Expectations of Managers Guide” was published in October 2021. The Guide shows that Brighton and Hove’s Performance Management Framework splits the business into eight core elements for assessing and managing performance: Business Planning and Management; Risk Management; Financial Management; Customer Insight; Modernisation; People Management; Health & Safety; and Safeguarding Quality Assurance.

In the Autumn of 2021 senior management undertook a deep dive in benchmarking service line costs against CIPFA data for other Local Authorities who were contextually similar to identify areas for potential efficiency as the Council moves into planning for 2022-23.

## Evaluating services

Performance management is overseen by the Policy and Resources Committee. The Committee normally receives Corporate KPI data twice per annum (July and December) and Customer Insights reporting once per annum (July).

Around 70 Corporate KPIs are reported on, allocated between Council and City KPIs. The KPI data is RAG rated; benchmarked against an external comparator group; includes owner and source of data; and includes three years of historic performance comparison. Typically target setting and prior year review is discussed at the July Policy and Resources Committee meeting and a mid-year review with Quarter 2 data is discussed in December. As previously noted, for 2020-21 the July items were delegated/ delayed. We note that 24% of targets were showing as off target at the time. Many of the off-target areas surrounded immediate-term delays to medium-term efficiency plans because teams had been diverted to Covid-19 response work.

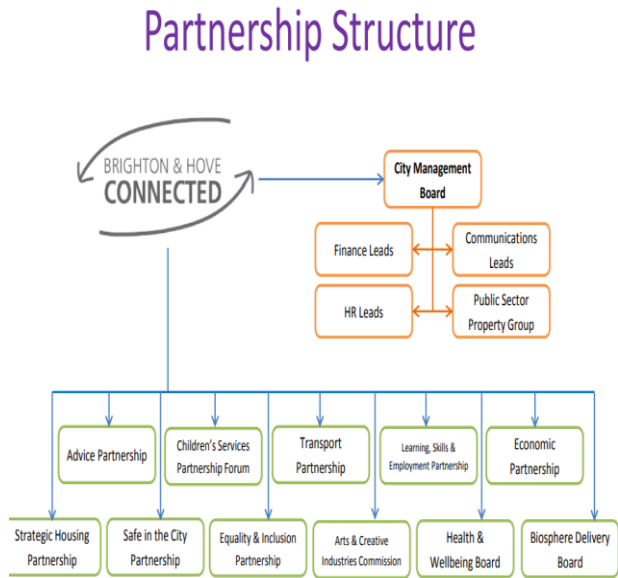
In aiming to set appropriate KPIs which are sufficiently challenging and which will encourage teams to compete to perform as well as/better than other similar businesses, the Council uses a number of different comparator groups. These include the CIPFA nearest neighbours group as per LGA, for Children’s Services DFE statistical neighbours for schools performance comparison, and Children in Care indicators for children’s social services, the HR CIPFA benchmarking club and the Rent Income Excellence Network. Note in setting out the most recent budget and medium term financial strategy update published in December 2021 there is further evidence of service cost benchmarking comparisons being used to identify areas where the Council could further investigate drivers of cost differentials with other similar councils.

For Customer Insights, it is performance against the Council’s “Customer Promise” to be clear about access/ treat customers with respect/ and get things done that is monitored. Again as previously noted, the Annual Customer Insights report for July 2021 was delegated to officers for information. At the time, coming during a pandemic, it is notable that the report showed strong satisfaction with bereavement services and an overall drop in complaints – although results with other measurements were more varied.

Processes for gathering Staff insights (the “Have Your Say” staff survey) have been commented on earlier in this report.

# Improving economy, efficiency and effectiveness

Figure 4: Partnership Structure



## Partnerships, Stakeholders and Performance Against Expectations

Within the Council’s own governance structures, there are a number of Committees overseeing areas of joint working with other partners: The Children, Young People and Skills Committee (oversees joint working with the Clinical Commissioning Group); the Police and Crime Panel; the Greater Brighton Economic Board; and the Orbis Joint Committee.

### Orbis

In 2018-19, the Council entered into an operational agreement with Surrey County Council and East Sussex County Council to share a joint service for Finance, Human Resources, IT & Digital, and Internal Audit. The joint working arrangement is known as “Orbis”. Staff working on Orbis services remained the employees of their sovereign Councils, meaning set-up costs were very low but the councils could share expertise and capacity. The intention was to make savings through collaboration. Brighton and Hove City Council transferred service line budget management of some £12.561M into Orbis (21% of the total budgets transferred in between the three councils for management from Orbis).

Brighton and Hove proposed and achieved savings of £0.735M on these budgets managed through Orbis during 2019-20, the benefits of collaboration on Human Resources having the biggest impact. However, the Council assesses that there is little scope for further saving – the transferred-in services already operating at maximum expected efficiency levels. For 2020-21, Brighton and Hove proposed equivalent savings of just £0.25M but by Month 5 of 2020-21 was forecasting that none of those savings would be achieved. Surrey County Council and East Sussex County Council have started to de-couple core services from the Orbis sharing agreement – HR and Finance services were scoped out of the agreement on 1 April 2021 and Business Operations will be scoped out from 1 July 2022. Co-operation under Orbis will continue for Internal Audit, Procurement, IT & Digital and Treasury & Insurance services for the foreseeable future. In this regard, Surrey and East Sussex will remain important administration “partners” for Brighton and Hove in the near term.

### Brighton and Hove Connected

Brighton and Hove (BH) Connected provides the overarching structure for the Council’s partnership with other local delivery organisations in the Brighton area. Its’ meetings are published on the internet, although we note that this has not been updated since 2019. The BH Connected member organisation’s shared strategy for the City, last updated in 2014-15, is set out in the City Document, which is also published on the internet. The City Document states that the vision is to create a “connected city. Creative, dynamic, inclusive and caring. A fantastic place to live, work and visit” with the two key principles being to “increase our equality and improve our engagement”. As a visionary document, we would not necessarily expect the City Document to be updated annually, but as the City emerges from the pandemic, it may be timely to revisit and refresh the objectives and goals that were expressed before Covid-19.

The City Management Board consists of the Chief Executive Officers of all BH Connected partner entities and meets around six times a year. It is the forum in which the Council reviews areas of joint interest with other delivery partners. The Board receives Corporate KPI data from the Council’s Performance, Improvement and Programmes team but there is no single register of all monies spent by the partners and even no one definition of what “partnership” is. Financial data is provided on an ad hoc basis to the Board and in many cases available on partner websites, but the Board may wish to consider whether there would be benefit from a more formal arrangement for receiving financial data as the City comes out of the pandemic.

Documentation improvement recommendations have been raised around these points (recommendations 6 and 7).

# Improving economy, efficiency and effectiveness

## Procurement

Procurement is jointly run with Surrey and East Sussex County Councils through the Orbis inter-authority agreement. Procurement teams are employed by their individual councils, but cover work for one another and sometimes jointly procure, to make best use between the of skills and expertise; resource capacity; and buying power. A written Joint Procurement Strategy is not yet in place, although one has been under discussion since 2017.

Within Brighton and Hove City Council, a Procurement Service Plan is being used to chart progress against objectives for the Brighton and Hove procurement function in the absence of a written Strategy document to perform against. In October 2021, for seven service targets reported on, only two workstreams were Amber (software updates and roll out of new training) and all other targets (including updated protocols/ efficiency work/ net zero work) had been achieved. Procurement is overseen within the Council by the Procurement Advisory Board, a Sub-Committee of the Policy and Resources Committee.

Brighton and Hove City Council has a contracts register, which is updated in real time from the internet every time a new contract is let, and contract standing orders providing the framework for:

- Delegated authorities
- Declaring interests
- Contracts lists, Framework agreements
- Tendering, awards and contract formation
- Termination

An overarching Procurement Strategy would support direction and governance of the procurement function. This has been “on hold” since joining Orbis – but with the three councils having separate policies around Social Value and Community Wealth, an Orbis-wide Strategy has been difficult to develop and agree. Brighton and Hove City Council may wish to consider agreeing an entity-level Strategy of its own (recommendation 8).

## Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have identified some opportunities for improvement around documentation for working with partners and managing procurement. Three improvement recommendations are set out overleaf as recommendations 6, 7 and 8.



# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 6

<b>Recommendation</b>	Consideration should be given to updating the Brighton and Hove City Document on the internet as the City emerges from the pandemic. Minutes of Brighton and Hove Connected should also be updated on the internet. (We note also that at page 15 of this report, minor other areas for updating the Council's website were also observed - the Constitution is shown as 2012 and the Executive Leadership Team is shown as meeting six monthly. One catch-all exercise may be effective).
<b>Why/impact</b>	Brighton and Hove Connected provides the overarching structure for the Council's partnership with other local delivery partners. Their shared strategy for the City is set out in the City Document and published on the internet. The meetings of BH Connected are also published on the internet. We note that the City Document has not been updated since 2014-15 and minutes of meetings have not been updated since 2019. As a visionary document, we would not necessarily expect the City Document to be updated annually, but as the City emerges from the pandemic, it may be timely to revisit and refresh the objectives and goals that were expressed before Covid-19 and to updating published minutes.
<b>Auditor judgement</b>	Comprehensive structures for working with partners to support the City are in place. Updating the City Document would provide a vehicle for revisiting and refreshing objectives after the pandemic. Updating other items on the internet would support completeness of disclosure.
<b>Summary findings</b>	Areas for documentation and website updating noted.
<b>Management comment</b>	As noted, the various statutory organisations across the city who are members of the City Management Board and play a lead role in developing partnership responses, including through Brighton & Hove Connected, have necessarily been focused on responding to the pandemic over the past 2 years. However, as we hopefully emerge from the pandemic there is an opportunity to review partnership links and re-energise these relationships. The council has also identified a capacity gap in this respect and, to address this, approved a new Assistant Director Policy & Communications role in December 2021 to lead on partnership policy development. The role was recently appointed to and will commence in May 2022.

The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 7

<b>Recommendation</b>	The City Management Board should be encouraged to consider whether information its receives on performance could be enhanced – for example by routinely including financial information or other outputs.
<b>Why/impact</b>	Financial data is provided on an ad hoc basis to the City Management Board and in many cases available on partner websites, but the Board may wish to consider whether there would be benefit from a more formal arrangement for receiving financial (or other additional) data as the City comes out of the pandemic.
<b>Auditor judgement</b>	Financial data or other data additions may help focus discussion around areas of joint working and shared objectives going forward. There may be areas where additional data could enhance the Board’s assessment of priorities and outcomes.
<b>Summary findings</b>	The City Management Board should be encouraged to consider whether there is additional information, for example financial information, that it would benefit from receiving.
<b>Management comment</b>	As for recommendation 6, work with city partners has necessarily taken lower priority than responding to the pandemic but this will be re-energised and provides an opportunity to review the previous working arrangements including reviewing the citywide information provided to the partners. A new Assistant Director Policy & Communications post within the City Council will lead on reviewing current working arrangements and policies.

The range of recommendations that external auditors can make is explained in Appendix B.



# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 8

<b>Recommendation</b>	Brighton and Hove City Council should consider agreeing an entity-level Procurement Strategy.
<b>Why/impact</b>	An overarching Procurement Strategy would support direction and governance of the procurement function. This has been “on hold” since joining Orbis – but with separate policies around Social Value and Community Wealth, an Orbis-wide Strategy is difficult to develop.
<b>Auditor judgement</b>	A Procurement Strategy at Council level would provide the framework for managing and monitoring the effectiveness of the Council’s procurement tools.
<b>Summary findings</b>	Scope for enhancing procurement processes through the se of an agreed Strategy, which could provide the underpinning framework for other procurement tools.
<b>Management comment</b>	Agreed in principle. There are many changes in procurement policy, practice and approach emerging from the council’s Corporate Plan commitments to carbon neutral, social value, the circular economy (sustainability), and community wealth building alongside changes in UK practice and advice expected to emerge from the government’s consultation response to ‘Transforming Public Procurement’ which was published in December 2021. The council also has an existing Member Working Group which is reviewing how social value is embedded and deployed within its procurement policies and practice which will make recommendations to further inform policy development. Subject to confirmation of Public Procurement changes, development of an over-arching Procurement Strategy should be achievable during 2022-23.

The range of recommendations that external auditors can make is explained in Appendix B.

# COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how local government services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

## Financial sustainability

The impact of Covid-19 cut across the Council, impacting both its income in the collection rates of housing rents, Council Tax and Business Rates; £21.497M of General Fund "overspends" in 2020-21, off-set by central government funding received; the administration of new business support and other grants; and underspends on repairs and maintenance delayed in the Housing Revenue Account.

General Fund Revenue Budget "overspends" were most notable around the additional costs of the Health and Adult Social Care directorate; PPE costs from corporate budgets; and lost income in the Economy, Environment and Culture directorate (where a loss of £14.119M was recorded for parking and penalty charge notice income alone - before the application of sales, fees and charges compensation grants from central government). In the Housing, Communities and Neighbourhoods directorate, there was also a £1.870M overspend in relation to the 'everyone in' initiative for rough sleepers and a further £2.194M spend net of grant for the cost of hotel and university accommodation and move on costs for housing rough sleepers and those assessed as at risk of rough sleeping under the 'everyone in' initiative.

Overspends in 2020-21 were offset by emergency funding from the Ministry of Housing, Communities and Local Government (MHCLG, now DLUHC) of £23.244M and some areas of covid related underspend. The net gain after central government support to the General Fund Revenue Outturn for 2020-21 from Covid-19 was £1.747M. Covid related variances on the General Fund were highlighted in monthly Budget Monitor reports throughout 2020-21 and are continuing to be tracked in the monthly reports for 2021-22. The month 5 report for 2021-22 forecast Covid related overspends of £6.948M for the year and funding receivable of £8.023M. Savings at risk because of Covid in 2021-22 were forecast just as £0.890M for 2021-22 compared to £2.303M in 2020-21.

Business-as-usual financial management continued to be effective throughout the pandemic despite the very pressurised conditions. As noted earlier in this report, the Council ended 2020-21 by reporting an underspend of £9.733M on the General Fund Revenue Budget and a £0.436M underspend on the Housing Revenue Account – demonstrating effective financial management throughout the period.

## Governance

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on the 16th March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic.

The Policy and Resources (Recovery) Sub Committee was set up in April 2020 as a sub committee of the Policy and Resources Committee – to exercise all the Council's functions regarding recovery from the Covid-19 pandemic, including but not limited to: Co-ordination of the economic recovery within the City in collaboration with businesses, residents and partner organisations; and taking all steps necessary or incidental to facilitating the economic, social and environmental recovery of city from the effects of Covid-19, including housing, economic inclusion, food poverty and community cohesion. As soon as it was lawful, the Council started holding members' meetings online.

Corporate KPI and Customer Insight reporting to the Policy and Resources Committee was subject to delegation and delay in July 2021, however we note that this was primarily a function needing to streamline the agenda because of the high number of business-as-usual papers presented on it rather than directly because of the pandemic.

# COVID-19 arrangements

Internal Audit resources were redeployed in the first quarter of 2020-21 to support arrangements for managing the pandemic. A revised Internal Audit Plan for the remainder of 2020-21 was presented to the Audit and Standards on 27th October 2020. Despite effectively losing one quarter of its planned programme time for 2020-21, by the end of the period, Internal Audit had still completed 21 systems reviews and only one key system audit was deferred until 2021-22 (housing benefits).

## Improving economy, efficiency and effectiveness

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working continued throughout the pandemic but continuity of service was maintained. Customer service centres were shut and all financial transactions were effected securely online (via the web). Cash handling operations were substantially shut down (venues, museums, libraries, car parks) for most of 2020/21 with controls remaining in place for limited operations (for example, car park cash floats). Treasury management and transactions were moved online, operating successfully remotely with no changes in the segregation of duties although processes changed in terms of using electronic signatures/email confirmations for approving non-treasury payments. Internal audit reviewed the change in processes in each instance.

We noted earlier in this report that 24% of Corporate KPIs were off target in July 2021. Many of the reasons surrounded Covid-19 impacts – for example rent being harder to collect and efficiency initiatives being delayed while officers were redeployed. Nevertheless, 76% of indicators were still reported as performing on or above target during the pandemic. At the same time, the Customer Insight report for 2021 showed falling numbers of complaints from the public and the Staff Survey for 2021 showed a positive level of engagement from staff (including a 64% response rate and mainly “Green” responses). We have commented earlier in this report on the need to revisit Action Plans and Recommendations from the Efficiency Strategy as the Council now emerges from the pandemic.

From our audit, we noted some areas of clear joint working with partners to cope with the pandemic. Overspends in Health and Adult Social Care were in part driven by early hospital discharges to free-up hospital capacity, for example. Remote working under Covid-19 lockdown had little impact on segregation of duties for financial transactions as these were either already online or already transacted over the telephone. Enabling staff to work from home supported the Council in protecting its frontline staff and residents by reducing the risk of virus transmission.

## Conclusion

Our review has not identified any significant weaknesses in the Authority’s VFM arrangements for responding to the COVID-19 pandemic.



# Opinion on the financial statements



## Audit opinion on the financial statements

We have completed our audit of the Council's financial statements and we issued an unqualified audit opinion following the Audit & Standards Committee meeting on 28 September 2021.

## Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report or Annual Governance Statement.

## Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Audit & Standards Committee on 28 September 2021.

## Issues arising from the accounts

All adjusted and unadjusted misstatements identified for the Council's 2020/21 financial statements are disclosed in the 20/21 Audit Findings Report and the Addendum to the Audit Findings Report.

## Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The quality of the draft financial statements and the supporting working papers continue to be of a good standard.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The group audit instructions issued by National Audit Office on the WGA return work for 2020/21 have not yet been issued, and therefore the Council is not yet able to submit the WGA return, and Grant Thornton cannot start the assurance procedures. We will complete our work on the Whole of Government Accounts consolidation pack in line with the national deadline once this deadline is confirmed in the instructions

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



# Appendices



# Appendix A - Responsibilities of the Council



## Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

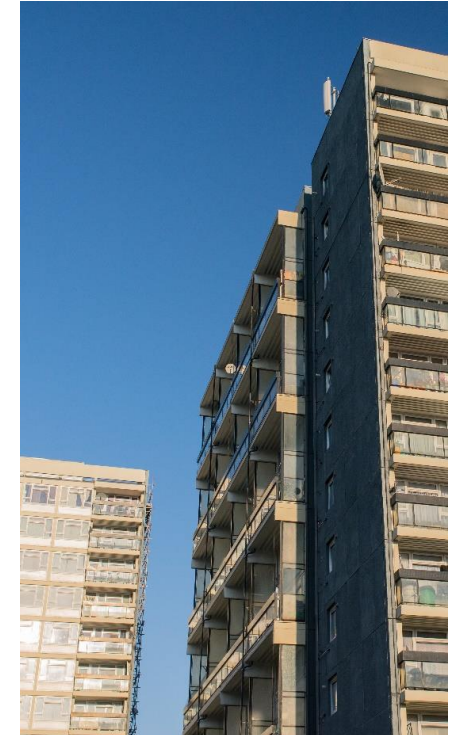
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council 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.



# Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	FS p. 11 Governance p. 16 3Es p. 20



