Interim Auditor's Annual Report on Brighton & Hove City Council

2021/22

24 January 2022

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council 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) 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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 recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	2020/21 Auditor Judgment	2021/22 Auditor Judgment
Financial sustainability	No significant weaknesses in arrangements identified, but improvement recommendation made	Significant weakness in arrangements identified and a key recommendation along with an improvement recommendation have been made.
Governance	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendations have been made.
Improving economy, efficiency and effectiveness	No significant weaknesses in arrangements identified or improvement recommendation made.	No significant weaknesses in arrangements identified and no improvement recommendations raised.

Financial sustainability

Brighton & Hove City Council (BHCC) reported an underspend on the General Fund for 21/22 of £2.948 million with 70% of savings achieved. For 2022/23, the Council forecasted a £18 million budget gap to be met through a £10.318 million savings plan, one-off funding and use of reserves. Month 5 financial monitoring reports now show that 57% of this savings plan is at risk and there is a forecast £13.114 million overspend on the General Fund. There is considerable concern for the medium term. The original forecast for the 2023/24 position was a budget gap of £6.25 million. By July 2022, this had jumped to £20.99 million, a reflection of demand changes and inflationary pressures. This puts significant pressure and additional risk on the Council's overall financial position as the current General Fund Working Balance is only £14.5 million. We have identified a significant weakness and issued a key recommendation regarding the Council's financial sustainability.

Governance

The Council is making efforts to ground its future trajectory in sound and foundational strategic development, through the development of its medium term financial plan (MTFP), Business Framework and classification of services exercises. Structural changes to the governance arrangements were introduced in 2021/22 with the merger of two directorates. Though there are generally sound governance arrangements, we have identified a potential area of improvement identified with regard to the content/format of the Annual Governance Statement.

Improving economy, efficiency and effectiveness

The Council continues to manage a comprehensive performance management and reporting framework, through effective management and monitoring of Corporate Key Performance Indicators (KPIs). We have drawn attention to procurement deficiencies highlighted by internal audit.

Key recommendations

Key Recommendation

The Council should :

- revisit financial plans with the sustainability of reserves in mind to ensure medium term financial plans demonstrate a realistic plan for replenishing reserves where one-off use is expected to cover budget gaps.
- focus its financial planning on reducing reliance on one-off measures and properly consider opportunities to review service delivery, particularly the prioritisation of statutory versus discretionary spend.
- review the process of setting savings schemes to build a greater element of contingency/and over-programming into this part of its financial plans. The focus should be on making credible savings plans and strengthening the supporting monitoring arrangements around those savings plans so that they are sufficiently robust to support the delivery on the current large scale savings plan necessary to bridge the budget gap. Due consideration must be given to the fact that the Council is likely going to need to make very difficult financial decisions in the near future if it is to maintain its financial stability.

Why/impact

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The Council's financial position is becoming significantly more challenging. This is largely due to the impact of increased service demand, the impact of inflation/cost of living increases, withdrawal of Covid-19 financial support where costs are still in place and supply chain/staffing pressures. Failure to properly and prudentially determine savings schemes with appropriate contingencies will further compound this already concerning picture.

The greatest risk is the potential that the Council will be unable to smooth its deficit with reserves in the medium term where larger deficits currently forecast are not bridged. Reserves are one-off resource, so a plan needs to be in place to replenish these reserves or the Council could quickly be forced to a position where some non-statutory activities need to be reduced or even ceased. Although currently the Council does not appear to be in imminent danger of issue of a Section 114 notice, these are being more regularly issued where councils find themselves with insufficient reserves to continue normal operations.

Auditor judgement

The Council has not fully delivered planned savings schemes in recent years, although it is accepted that the coronavirus pandemic contributed to this. Although other changes to the outturn position in 2020/21 and 2021/22 meant the Council was still able to deliver a breakeven or surplus position, the extremely challenging financial pressures on the budget in 2022/23 and 2023/24 mean that a deficit position appears inevitable with the budget gap highly unlikely to be covered by any one-off additional income (£18m one-off Covid-19 funding in 2021/22 supported the delivered outturn).

The history of under-delivery of savings programmes means that the Council should in these more challenging circumstances over-programme savings schemes in order to better mitigate for this. The budget should therefore be based on an assumption of 70% delivery based on its recent years' track record.

The Council must also maintain close monitoring of its reserves position considering the fact that it is already predicting a budget gap in 2023/24 greater than the current level of General Fund reserves. These two layers of financial risk considered simultaneously present serious concerns with regard to financial sustainability.

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

Key recommendations

Key Recommendation (continued)

Management Comments

The external auditor's findings recognise the ongoing economic impact of the pandemic and the unexpected escalation of inflation and cost-of-living which few, if any, councils built into planning assumptions for 2022/23. The majority had expected costs and incomes to steadily return to pre-pandemic levels, but the reality is that costs have escalated while incomes are suppressed by economic conditions. This has also significantly impacted savings programmes including in the current year. To this should also be added central government's ongoing tendency to provide short-term financial settlements, 2023/24 being the fifth single-year settlement in a row, and its deferral of key local government financial reforms including Fair Funding, Business Rates reform, Council Tax revaluation, and Social Care funding reform. All of this has made financial planning very problematic for councils, with funding announcements and settlements being received later each year.

In this context, the council therefore fully accepts the advice and recommendation and is now reviewing its budget from the position of what services are now 'affordable' in this changed reality, including predicted budget gaps of over £53m over the next 4 years. The budget process for 2023/24 is therefore exploring key questions concerning the mix and affordability of services that the council commissions, procures or provides in-house alongside the process of exploring potential economies, efficiencies, income generation and taxation options as normal. A 'Budget Categorisation' exercise has also been undertaken to provide an alternative analysis of the council's budget that may aid this process alongside balancing the affordability of current services with plans to support its Corporate Plan priorities. This is discussed in the forthcoming Budget Update report to January Policy & Resources Committee.

In developing the 2023/24 General Fund budget, the very substantial additional costs of the pay award in 2022/23 together with increased commissioning costs (mainly social care providers) and other supplies and utility increases must all be met on an ongoing basis in 2023/24 together with further provision for pay award and price uplifts in 2023/24, including a significant uplift in energy costs. Together with demographic (demand) and other cost pressures, this is driving a predicted budget gap of £21m in 2023/24 which is very challenging. While 'over-programming' of savings is accepted as a sensible objective, with such as large gap to close in 2023/24 this may be an unrealistic aim for next year, particularly for a No Overall Control council nearing the end of the current term of Administration. However, with more time to plan, consider and develop options, it should be an objective for future years within the Medium-Term Financial Strategy (MTFS) to improve the council's financial sustainability and maintain or improve its reserves position.

The council also accepts the principle of avoiding the use of one-off funding to balance annual budget shortfalls unless it is able to identify robust medium-term plans or decisions that will reduce future costs, generate new incomes or secure more funding (e.g. taxation) to enable repayment within the MTFS period at an acceptable (low) level of risk.

Regarding the current in-year pressures in 2022/23, the council has implemented spending and recruitment controls alongside normal financial recovery actions within services to aid the position. It has also slowed capital spend to improve cash balances (i.e. generate greater investment income) and reduce MRP capital financing charges. However, there is likely to be an outturn overspend and this will need to be funded from reserves or balances and replenished within the MTFS period alongside managing large budget shortfalls.

All members have been given advice concerning the challenging financial position and the implications of not addressing the budget gap for 2023/24 included within two 'All Councillor Budget Bulletins' and the Budget Update report to January Policy & Resources Committee. Councillors are therefore fully aware of the scale of the challenge facing the authority.

Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have substantially completed the work on our audit of your financial statements, but there is some work outstanding and we have not yet issued our auditor's report.

Findings from the audit of the financial statements were reported to the Audit and Standards Committee on 29 November. Audit findings can have an impact on value for money considerations, particularly around governance. Therefore, this report is presented as an Interim Annual Auditor Report and will be finalized and updated where appropriate on completion of the financial statements audit.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendations.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

No applications have been made.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

No advisory notice has been made.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

No application for judicial review has been made.

Financial sustainability

We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2021/22 financial performance

The Council finished 2021-22 with a £2.9 million underspend on the General Fund and a £0.03 million underspend on the Housing Revenue Account. This included an underspend of £3.3 million on the Council's share of the NHS managed Section 75 services.

In terms of savings delivery, £3.2 million of the £10.7 million 2021/22 savings package was not achieved. This puts the Council's actual delivery against planned savings targets for the year at approximately 70%, slightly lower than the previous years' savings delivery of 72% delivery against plan. It is worth highlighting that 2020/21 and 2021/22 were extremely challenging years due to the coronavirus pandemic. The pandemic impacted demand as well as organisational capacity, particularly in the Council's senior management team, and this inevitably impacted on delivery of change, including savings plans.

It should be noted that the Council was only able to achieve this underspend outturn position with the support from one-off grants including an £8 million Covid-19 grant, £8.9 million Contain Outbreak Management Fund (COMF) and £1 million from Sales, Fees and Charges compensation grants. All these resources have ended and are not recurring in 2022/23 and the medium-term.

2022/23 and future financial planning

The impacts of Covid-19 are still being felt yet the funding from government to meet the costs is drying up. Add this to additional pressures and backlogged demand for adult social care, children's services, budget costs, inflation, interest rates, the long shadow of Brexit and supply chain issues, and it is clear that councils nationally are facing difficult financial decisions to maintain financial sustainability.

There have been detrimental changes to the medium term forecast (impacts of the Ukraine war, economic recession, steep inflation and the cost of living crisis) which impact demand and cost levels for all local authorities. These were not foreseeable, and they highlight the more unpredictable national and global economic environment Councils are needing to operate and plan within.

At budget setting in February 2022, the Council faced a large budget shortfall (budget gap) during the Medium Term Financial Strategy (MTFS) period 2023/24 to 2025/26 of over £18 million. The Council has focused on a longer time horizon for financial planning as a means of mitigating the impacts of a shortfall in any one year through smoothing in later years as far as is possible. The Council set a balanced budget for 2022/23 but this was only possible with £1.9m contribution from reserves, and a planned savings package of £10.318 million. This savings target to balance the 2022/23 appeared ambitious in light of 2021/22 delivery.

The current financial monitoring highlights concerns surrounding the Council's financial position. The Targeted Budget Monitoring (TBM) report sets out early indications of forecast risks on the Council's revenue and capital budgets for the financial year. The forecast risk for 2022/23 as at November 2022 is a £11.637 million overspend on the General Fund revenue budget. Inflation is having a significant detrimental impact on in year expenditure against budget, particularly in social care. Considering the scale of the £18m budget gap for the 3 years to 2025/26, this forecast overspend budget at this stage which would exacerbate this gap is extremely concerning. It will clearly not be viable to carry forward this overspend where the scale of the budget gap already appeared to be highly challenging.

There are overspends in all directorates excluding corporately-held budgets. The highest overspends are in Governance, People & Resources and Housing, Neighbourhoods & Communities with 5.6% of budgets and 4.6% respectively.

The 2022/23 savings progress paints a similarly challenging picture. As at August 2022, the progress shows that £6.020 million of the planned savings are forecast not to be delivered by the year end.

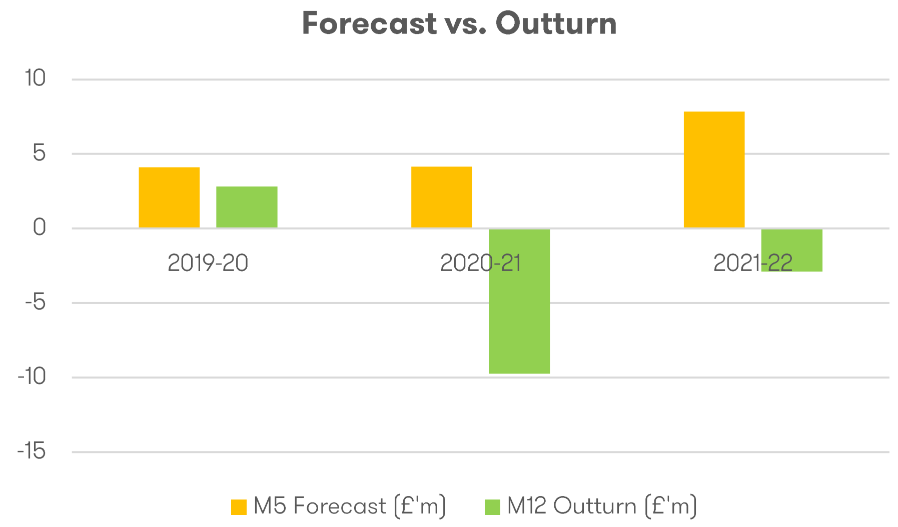
Financial sustainability

At December 2022 the Council is forecasting that 51% of the £10.318m savings required to achieve a balanced budget may not be delivered. The Council is already taking actions to mitigate the risks surrounding savings deliverability, for example, employing vacancy controls and recruitment freezes to cope with the in-year budgeted outturn. However, these one-off controls do not provide assurance that the Council will be in a financially sustainable position come year-end. Particularly as the non-recurrent one-off Covid-19 grant awarded in 2021/22 was used to manage cost pressures and balance the recurrent General Fund budget for 2021/22.

The Council's reserves position is similarly a cause for concern. The General Fund Working Balance Reserve stood at £14.509 million on 31st March 2022 and Other General Fund Earmarked Reserves stood at £67.752 million as at that date. The Council's reserves and balances are well below the average for upper tier local authorities and the Council has already used £5.7 million from its reserves in 2022-23 to manage the impact of the pandemic to date. The Council has framed this use of reserves as borrowing for reserves, with plans to replenish reserves at a rate of £0.208 million per annum starting in 2023/24.

The concern surrounding the Council's financial planning is partially mitigated by its financial management history. The Council has a history of predicting high overspends in the first half of the year, taking management action to mitigate the risk and ending the year closer to budget or with an underspend. For example, the Month 2 TBM forecast for 2020-21 forecast a £39.003 million overspend but the year end outturn was a £9.733 million underspend. Other examples of this are shown in the bar graph to the right, using the M5 forecast for the past three years when compared to M12 outturn. This history is reflective of the difficulty in forecasting at this stage of the financial year. The Council is having to use extremely uncertain and volatile assumptions on which to base its forecasts, leaving room for disparate fluctuations between forecast and actuals. This also demonstrates that the Council has a tendency to be risk averse in its forecasting approach, predicting high overspends and finishing closer to balanced budgets. It is important to note that there are risks in overly prudent/risk averse forecasting, the Council could make unnecessary spending decisions that may impact on delivery and performance, the Council must take care to ensure that this does not happen.

2022-23 financial planning therefore remains uncertain. The Council is certainly in a very challenging position regarding short and long-term financial sustainability. This has been acknowledged through its 'Red' rating of financial sustainability in the medium term in the strategic risk register in M2 of 2022-23. This is concerning as the impact and likelihood of this risk materialising would be pervasive.



The medium term

Beyond 2022-23, the February iteration of the budget showed an initial prediction of a £6.25 million gap for 2023-24, £4.75 million for 2024-25 and £3.718 million for 2025-26. The July 2022 update saw the 2023-24 predicted gap jump from £6.25 million to £20.99 million (Table 2). This increased gap is primarily attributed to inflationary pressures and demographic changes – which are safely assumed to be recurrent – therefore putting future budgets at risk. Considering the Council's current General Fund Working balance is £14.509 million, the Council is therefore predicting a budget gap for 2023-24 larger than its current reserves working balance.

Furthermore, it is known that the General Fund Working Balance is actually less than £14.509 million as the Council already stated in the July update that it has already had to borrow £5.7 million from reserves to manage the 2022-23 pressures, putting the approximate reserves balance closer to £8.809 million. The 2023-24 budget gap is further impacted by the M5 finance report for 2022/23 showing a £13.114 million overspend and 57% savings plan unlikely to deliver. It is for this reason we have determined that there is a significant weakness in the Council's arrangements with regard to its financial sustainability.

Financial sustainability

It is worth noting that the Council has £67.75 million in General Fund Earmarked reserves as a mitigating factor, however, as these are earmarked, it cannot be safely assumed these could be available to financially smooth the budget gap predicted in the medium term. The Council annually examines whether earmarked reserves are required at the current level and where it can, releases earmarked reserves. In the 2022/23 budget setting it released £1.279m earmarked reserves. The Section 151 Officer clearly sets out, in the MTFS, what his judgement is on the minimum level of safe General Fund Working Balance/Reserves for the Council to hold. Current forecasts suggest the Council will drop below this minimum in the medium term. The combination of the extremely challenging budgetary position for 2022-23 and the significant budget gap predicted in 2023-24 and the medium term, which would exhaust reserves, lead us to conclude that there is a significant weakness in the arrangements to achieve financial sustainability.

It is important to acknowledge that the intention to replenish reserves can only be achieved if there are more resources than there is spending, which is currently not the case with BHCC. The Council must seek to avoid exhausting its reserves and balances without any plan to replenish. Using reserves to balance a deficit should be considered a last resort. Although a legitimate financial strategy, the Council cannot rely on smoothing to balance the budget. Unless future years are solid i.e. budgets are balanced, which in Brighton's case they are not, use of reserves is high-risk and should be treated with caution.

Its delivery against annual savings plans exacerbate this weakness in arrangements. The Council has regularly experienced large budget gaps resulting in reliance on the delivery of large savings programmes which creates additional risk if savings are underachieved or unexpected financial shocks occur during the period (e.g. cost of living crisis, Ukraine etc.)(Table 1). The Council effectively needs to 'over-plan' if it is to assume 100% delivery to factor in the fact that it consistently delivers below its savings plan. Should the savings schemes fail to materialise, the Council could fail to store a recurrent budget deficit which could then deplete available cash reserves and put the Council in the position of failing to achieve a balanced budget. Building up risk reserves, complemented by over-programming of savings, would enable it to manage both any under-achievement of savings and any unexpected financial downturns.

The Council has been aware of the precarious financial position for some time. In the 2020/21 outturn report, officers recommended that the £4.921m underspend on the General Fund revenue budget be used to repay reserves. Instead, Council chose to use these resources to prioritise alternative areas of discretionary spend. In addition to the building up of risk reserves and the over programming of savings plans, the third element of our key recommendation is a stronger focus on decision making by the Council, to challenge itself on the breadth and depth of its service provision in light of its current financial position.

Table 1: Planned and delivered – 2017/18 to 2021/22

Savings (£'m)	2017/18	2018/19	2019/20	2020/21	2021/22
Planned	21.367	12.678	12.236	10.291	10.7
Delivered	17.203	11.145	11.288	7.382	7.5
% delivered	80.5	87.9	92.3	71.7	70.1

Table 2 : Predicted budget gaps – the movement from February to July 2022

	2023/24 (£'m)	2024/25 (£'m)	2025/26 (£'m)
February 2022 budget	6.25	4.75	3.718
July 2022 budget	20.99	9.148	7.488
Variance	14.74	4.398	3.77

Plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Temporary accommodation and homelessness

There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the Council's overall financial position. Temporary accommodation is one such demand-led budget as activity is difficult to forecast and relatively small changes in demand can have significant implications on the budget

Financial sustainability

strategy. For 2021/22, housing services and temporary accommodation overspent by £6.166 million. Within this, the budget for temporary accommodation (TA) overspent by £1.715 million. However, £5.370 million of Contain Management Outbreak Fund (COMF) grant was used to offset this leaving an overspend of £0.796 million.

Core Government funding for TA increased overall but it was insufficient to support the service pressure. During the year, further pressure of £0.715m relating to extra costs of block booked emergency funding increased the disparity from budget.

The overspend also reflects increased rent loss and council tax costs due to leased TA properties remaining empty, awaiting repair.

The Council also experienced very substantial costs associated with the provision of additional emergency hotel accommodation acquired in the pandemic as part of the 'Everyone In' Initiative. This service cost £5.777m in 2021/22 and was funded through a one-off Council budget, Next Steps Accommodation Programme (NSAO) funding and COMF grant funding. The Council initially paid for 410 rooms but this was reduced to 47 as at March 2022.

The Council acknowledged the high risk of this pressure point in the MTFS. The numbers in temporary accommodation and associated support services have been increasing year on year, further exacerbated by the pandemic. Although short term funding has been received to support temporary accommodation costs, if people are not successfully 'moved on' to sustainable housing, this will have a knock on impact to baseline numbers and the Council budget in the medium term. There are significant challenges to 'move on' due to a range of factors, many of which are outside the Council's control.

The medium term plan involves investment in housing and homelessness, including over £95 million to deliver new build or purchased, affordable housing and temporary and emergency accommodation (EA) through the HRA and Housing Joint Venture. The Corporate Plan involves annual revenue investment in 2022/23 for £1 million provision for increased temporary accommodation, £0.715 million for increased Housing General Fund Management and staffing costs due to increased demand on temporary housing and £1.5 million TA spot purchase costs for one-off Covid-19 cost pressures.

The government has not yet announced any additional Covid-19 funds for local authorities for 2022/23 but the Council has reiterated that this remains a key area of lobbying, particularly in relation to areas with higher levels of homelessness and rough sleeping.

The Council is attempting to mitigate the risks posed by the future of temporary housing through implementing arrangements to monitor progress of the plan. The Homeless Reduction Board monitors progress on meeting the conditions of the NSAP funding and oversees progress with the recovery of homelessness services, including face to face services, income recovery, move on and reconnections.

The Board serves as an advisory board to the Housing Committee and the Health & Wellbeing Board, membership consists of three Members and a panel of non-voting members and meets at least quarterly. The Board is chaired by the Chair of the Housing Committee.

Inspection of Housing Committee minutes shows evidence of effective check and challenge, with members questioning the effectiveness of the Homeless Reduction Board generally. There is evidence of actions being taken away and resolved at later committees. We are satisfied that the Council has appropriate arrangements in place with regard to the monitoring of the homelessness issue.

The Homelessness Transformation Programme was formed with the purpose of reducing homelessness and rough sleeping in alignment with the Corporate Plan. To date, the programme has achieved a 73% reduction in emergency accommodation placements and overall 16% decrease in total numbers in EA. Towards the end of 2021, Brighton was accused of inappropriately placing homeless people out of area in neighbouring towns. The Homelessness Transformation programme now boasts an overall 50% reduction in emergency accommodation placements outside of the BHCC area with a 68% reduction in placements in Eastbourne and 16% reduction in Lewes. The Council must seek to continue its efforts in this area and build on this promising progress.

Adult social care

Councils are facing key challenges surrounding the lack of transparency in future funding, increasing demand (especially in mental health and young people with complex learning disabilities transitioning from Children's into Adults), increasing prices charged by providers and lack of capacity to transform its services to meet the challenges ahead.

We documented in our report last year, Brighton's somewhat uniquely high adult social care spend. Brighton and Hove recorded the second highest total spend on Adult Social Care per adult resident aged over 18 in 2021 but also recorded the highest number of adult residents aged over 85 that year. We concluded this to be reflective of specificities at Brighton with regard to age of population and complexity of care to meet population demographic as opposed to an indicator of inefficiency in service provision. Nonetheless, adult social care at the Council is one of the highest risk areas of performance.

2021-22 plans relied heavily on delivery of savings in Health and Adult Social Care and Families, Children and Learning. 62% of all savings for 2021-22 were expected to be from those directorates. It is important to note that the proportion of savings targets is reflective of outturn of these directorate. 2021-22 outturn showed that £1.409 million of the £4.515 million of the savings plan was not achieved in Adults Services. In order to achieve a balanced budget for 2022-23, these savings still need to be delivered.

Financial sustainability

The overall position for Health & Adult Social Care (HASC) was an underspend of £4.421 million against budget as at M12 of 21-22 but it is important to note that this was after applying service pressure funding of £12.7 million which was used to fund budget pressures resulting from increased complexity in costs of care. £0.361 million was also needed to backfill the reduction in CCG funding contributions. Covid-19 also had a significant impact on adult social care, in particular, with the discharge issues from hospitals into care settings, although this was somewhat mitigated by the NHS funding.

The future of adult social care into 2022-23 and beyond appears challenging. The Council is having to grapple with pressures on NHS budgets resulting in reduced CCG funding contributions, increased costs from discharging pressures at acutes into residential and nursing home care, ongoing efforts to transform GP practices and medical services to contribute to preventative support supplemented by workforce capacity challenges across the sector. Tight capacity and labour market issues across care has resulted in a build up of need which will see costs increase with the Council factoring in an estimated £7m cost pressure across adults and children's social care for 2022-23. Financial sustainability of demand led services was identified as a priority area of focus in June 2022 by the Authority.

Demands on social care services continue to increase due to the growing population of the city and the continuing trend for people to live longer with limiting illnesses, disabilities, mental health issues or dementia – increasing the support needs in their homes and within the community.

Financial planning has been constrained by wider environmental uncertainty. As was acknowledged by the Council in the update to the MTFS, the long-awaited Social Care Reforms 'potentially raised more questions than answers'.

For 2022/23, funding of £12.498m has been provided to support identified cost pressures in priority demand-led services across ASC, Children's Services and Homelessness and Rough Sleeper Accommodation. This has helped to mitigate but not remove risks. Adult social care has been aided by the 1% increase in the precept which would allow £1.588m additional funding if agreed, additional funding of £3.056m and increases to the Improved Better Care Fund which provides joint funding toward adult social care and has increased from £9.182m to £9.459m.

While positive, the adult social care precept increase and additional grant funding is not enough to balance the budget and must therefore be supplemented by a substantial savings programme. At M5, £1.27 million of the £2.224 million 2022/23 savings plan were being forecast as unachievable, approximately 57% of the plan. This is a significant proportion, particularly considering the pre-existing challenging position. The Council plans to manage residual risk through management of non-statutory budget areas. The Council has actions focused to manage demand on costs of care placements across Assessment Services and making the most efficient use of funds.

The HASC Directorate has a Modernisation Programme in place for transformation efforts. There are concerns surrounding the delivery of this programme, demonstrated through its 'Red' rating as at March 2022. As per the TBM M5 report, this can be attributed to delays in implementation of the savings strategy and concerns regarding materialisation and deliverability of cashable benefits. Close monitoring of the modernisation programme and the Adult Social Care directorate performance generally aids the Council in mitigating the risk involved in this demand-led service.

Capital and the capital programme

At February 2021 Policy & Resources Committee (P&R), the Authority set out the intention of carrying out a £221.103 million capital programme for 2021/22. As per the year end statement of accounts, only £110.2 million capital outturn was delivered in year (49.8%).

The Council reprofiled £46.061 million and incurred slippage of £2.757 million during the year and other adjustments brought the reprofiled capital budget to £118.057 million at year end. It was this reprofiled budget that the £7.9 million underspend reported in the accounts was measured against, as opposed to the original £221.103 million programme initially announced in February 2021. Reprofiling and slippage of £48.818 million of a £221.103 million budget represents 22% of the original plan - a significant proportion.

We understand from our discussions with management that a key driver for slippage of the capital programme was due to the pandemic, in particular, working restrictions, supply chain issues, impacts on consultation processes and many other impacts. The overall position for Health & Adult Social Care (HASC) was an underspend of £4.421 million against budget as at M12 of 21-22 but it is important to note that this was after applying service pressure funding of £12.7 million which was used to fund budget pressures resulting from increased complexity in costs of care. £0.361 million was also needed to backfill the reduction in CCG funding contributions. Covid-19 also had a significant impact on adult social care, in particular, with the discharge issues from hospitals into care settings, although this was somewhat mitigated by the NHS funding.

Financial sustainability

The 2020/21 capital programme delivery against original plan showed a similar position. The 2020/21 budget in February 2020 showed the intention to carry out a £166.669 million capital programme. The 2020/21 accounts shows the Council reporting an outturn of £90.25 million with reprofiling of £40.487 million and £3.776 million slippage. The reprofiled budget therefore gives rise to a £7.132 million underspend. However, if we compare outturn of £90.25 million against an original budget of £166.669 million, this shows that only 54% of the original budget was delivered.

The Council has announced a capital investment programme for 2022/23 of £222.788 million which is a sizeable figure. Considering prior year outturn was £110.2 million, the 2022/23 budget represents more than double the outturn of the previous year. We have raised an improvement recommendation regarding the Council's capital budgeting. We are concerned with the Council's ability to set a realistic capital budget that reflects likely spend. Inability to do so undermines the Council's ability to effectively manage its capital budget and deliver its growth plans.

The capital programme is supported by governance arrangements that monitor delivery. Financial risks are managed through TBM which is reported to the P&R Committee quarterly, progress on projects is reported to the Strategic Investment and Delivery Boards and any significant changes to schemes are reported to the P&R Committee. The Budget Review Working Group provides a forum for officers to develop and report on the Council's capital budget and strategy and is an advisory board that reports to the P&R Committee.

Although there is evidence of monitoring of the capital programme at P&R Committee, the indications are that focus should be turned to setting realistic budgets which allow for sufficient lead time before expenditure is likely to be incurred. An improvement recommendation has been raised in respect of the realism surrounding capital budget setting.

i360 loan restructure

The Council has arrangements in place to monitor changes to its partnership arrangements and adapt agreements to prioritise protecting its financial interests. The i360 is an observation tower that sits on the Brighton seafront. Originally opened in 2016, the Council lent Brighton i360 Ltd £36.2 million in 2014 using PWLB money to operate and manage the tower. Interest has now pushed this figure to about £43 million. From 2019 to 2021, more than £6 million in repayments that the i360 was due to make were deferred due to Covid-19, although the attraction was experiencing low visitor numbers prior to the pandemic. There is a value for money concern, in particular, a financial sustainability concern, surrounding the risk that the company could default on the loan, forcing the Council to step in. The prospect of loan restructure was on the table in 2019 but work on this was paused due the uncertainty caused by Covid-19 in making projections about visitor numbers and business revenues.

In July 2022, the P&R Committee received a report detailing the plan to undertake twice yearly cash sweeps of the company leaving only an 'operational cash float' as part of an overall debt restructure with a reduced interest rate and minimum payments based on forecast visitor numbers and revenue over a 25-year term. The schedule assumes a minimum cash sweep that reflects seasonal variations and is set at a level that is lower than expected cash surpluses set out in the business plan projections to ensure the Council is repaid 'as quickly as possible.'

The plans include obligations to repay outstanding debts earlier than the revised loan term should the i360 exceed the minimum cash sweeps.

In June 2022, the Council received £700,000 from the company to help meet servicing costs; a promising sign that the restructured loan payment schedule could be manageable for the business. The plan in the restructured loan is to increase minimum payments from 2026 onwards in line with the assumption of higher visitor numbers, with the Council expecting to receiving at least £1 million every six months.

In late October 2022, Brighton i360 wrote to the Council to notify they would not be in the financial position to make the loan repayment of £900,000 at the end of December. The business had experienced lower visitor and revenue figures than forecast, along with higher costs, citing the overall economic environment and the cost of living crisis as the key reasons. Although the Council still expects the business to make part payment, this leaves the recoverability of this investment of public money in a high level of uncertainty and risk. This has prompted an urgent review of options open to the Council to recover the debt, but clearly this significantly increases the risk that the Council will not fully recover the loan made to the business and any write down of the loan would further hit the Council's limited reserves further exacerbating the significant risk around financial sustainability highlighted above. Until the Council has fully reviewed options open to it, the likely financial impact over the medium to long term view remains unclear. We emphasise the importance for the Council's urgent review of options, and review of the current structure of the loan, to come to a realistic view of what repayment the Council is likely to recoup on the investment and therefore to be able to include some accurate forecast of the impact of this on the Council's financial sustainability.

Financial sustainability

The current arrangements that are in place for monitoring the business are the i360 Member Working Group, whereby a member from each party meet regularly with finance officers from the Council and Brighton i360, along with other key management personnel, and officers from the Council's appointed consultant business advisory specialist. This meeting discussed the business current financial position against plan, and also future plans to increase visitors/revenues. Note the Council's senior finance officers also attend key meetings at the Brighton i360 where the financial position is discussed, and they receive financial performance updates outside of the Working Group meetings. Our view is that the current arrangements in place are sufficient for the Council as an investor to maintain reasonable oversight of the Brighton i360 business performance, acknowledging that the business only reopened to the public in May 2021 after the pandemic so there was still a high level of uncertainty over how the business would recover in early 2022 which was only further added to by the macro-economic events later in the year.

We will carry out more detailed Value for Money work for the 2022/23 Auditor's Annual Report around the financial position and governance arrangements as they have operated during the 2022/23 financial year including discussion of the Council's review of options and loan repayment arrangements.

Conclusion

2021-22 financial performance was cushioned by one-off Covid-19 grants, enabling the Council to finish with an underspend. However, 2022-23 is an extraordinary year. Unlike in previous years, it is unlikely that the Council will be able to recoup its already predicted overspend. The reserves balance is low and concerning. Tough financial decisions will need to be made in the medium-term to manage this precarious position and ensure financial sustainability.

We have identified a significant weakness in arrangements relating sustainability of reserves and identification of savings to bridge the identified budget gap and we have issued one key recommendation as a result. We have also issued one improvement recommendation

Improvement recommendations

Financial sustainability

Recommendation 1	The Council should review and evaluate how it sets it capital budget. Consideration of this will enable it to set more realistic budgets going forward.
Why/impact	Inability to set realistic capital budgets undermines the Council's ability to effectively manage and deliver its capital budget. Consistently high capital budget setting at the start of financial years coupled with low outturn cast doubt on the Council's ability to accurately forecast expenditure and present and deliver a realistic capital programme.
Auditor judgement	We found evidence of the Council continuously setting high capital programmes at the February budget setting and failing to deliver against these targets come year end. At February 2021 P&R Committee, the authority announced the intention of carrying out a £221.103 capital programme for 2021/22. As per the accounts, only £110.2 million capital outturn was delivered in year (49.8%). The Council reprofiled £46.061 million and incurred slippage of £2.757 million during the year and other adjustments brought the reprofiled capital budget to £118.057 million at year end. The 2020/21 budget in February 2020 showed the intention to carry out a £166.669 million capital programme. The 2020/21 accounts shows the Council reporting an outturn of £90.25 million with reprofiling of £40.487 million and £3.776 million slippage. When setting the capital budget, the Council must consider the previous year's outturn and the high proportion of reprofiling that was necessary to meet that outturn. The consistent 'underspends' reported at year end against the capital budgets can present a misleading picture as they are measured against the reprofiled capital budgets rather than the original budget. Prudent budget setting would involve the Council's prioritising consideration of the prior year end reprofiled budget and outturn as opposed to continuously rolling forward an ambitious capital plan.

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

Improvement recommendations

Recommendation 1 (continued)

Management Comments

While the auditor's findings regarding the gap between annually approved capital investment and the actual incidence of capital expenditure is accepted, the effect of this on resource assumptions and estimates, including the revenue budget, is not always direct. The key risks identified in relation to capital programme delays are:

- A potential loss of resources if capital grants are not spent in accordance with grant conditions and timelines;
- Setting aside scarce revenue budget resources (i.e. in the Capital Financing budget) ahead of when they are actually needed, thereby unnecessarily squeezing other revenue budgets;
- The cost of capital schemes rising with inflation due to delays, and;
- Delivery delays potentially impacting on revenue savings where the capital investment is an invest-to-save scheme.

However, when there are delays to schemes funded by capital grant the council will normally benefit from investment income on higher cash balances until expenditure is incurred, which can help to mitigate any inflationary risks. The council has not lost any resources due to delays and, in this respect, government departments are providing increasing flexibility as they recognise the delivery challenges for councils. Up until the pandemic, the council experienced a similar level of re-profiling and slippage each year of around 20% to 25% of its programme. This is normal and can be for a wide range of factors including identifying additional remedial works once on site, contractual or procurement issues, or needing to alter schemes following consultation with users, tenants, residents or partners. Since the start of the pandemic and continuing to the present day, capital programme slippage has been much more significant (up to 50%) due initially to social distancing and lockdowns, but then subsequently due to severe recruitment challenges and ongoing materials and supply chain issues for many programmes. For this reason, since 2021/22 the Capital Financing budget has been projected on a more realistic profile of capital spend within the Medium-Term Financial Strategy to ensure that the council does not set aside scarce revenue budget resources ahead of when they are needed. In essence, from a revenue budget perspective, the Capital Programme is therefore correctly profiled. However, in the current higher inflationary environment, delays need to be minimised otherwise total scheme costs (and therefore capital financing costs) can ultimately increase. However, this pre-supposes that delays are avoidable, but they may also be a reflection of unrealistic delivery expectations in the first instance.

It is therefore accepted that to provide more accurate information to the public and other stakeholders concerning when a capital scheme will be delivered, the Capital Programme itself should more accurately profile capital schemes across years and realistically reflect the current capacity and supply chain challenges in the setting of timelines for delivery. However, it should be noted that this does not directly affect revenue budget assumptions which are already adjusted to a more realistic delivery timeline. A detailed capital programme review is currently underway for the 2023/24 capital programme which will enable the council to satisfy the auditor's recommendation on both counts.

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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Strategy development

Brighton's recent strategic development has followed a 3-pronged approach:

1. The medium term financial strategy (MTFS)
2. The Business Framework
3. The classification of essential and non-essential

For the previous two financial years, the Council has been unable to plan with any certainty beyond the one-year Spending Reviews provided by central government. The medium term financial strategy (MTFS) represents a significant shift from short term planning focussing on longer time horizons in the aim of developing an achievable, sustainable budget over the 4-year period. Since 2015, the Council has introduced medium term planning to aim to introduce greater financial resilience and aid management of the challenging local government financial situation that was exacerbated by austerity and more recently, the pandemic. The MTFS serves as a mechanism by which the Council can demonstrate and articulate plans to achieve financial balance through providing the opportunity to smooth out savings over the period and avoid destabilisation of service provision. The announcement of the 3-year Spending Review 2021 created clarity for the next few years for the Council and allowed the Council to depart from the annual plans of the last couple on Covid-19 impacted years and introduce longer term planning.

The Council is also working to develop what it has titled its 'Business Framework.' The framework is a medium-term strategy encompassing the period 2023 to 2027.

The framework is currently in progress, and the guidance aims to outline:

- strategic direction to what services the Council delivers,
- how citizen need and customer demand will be met by these services,
- the standard and citizen experience of that deliver,
- and the cost of delivery.

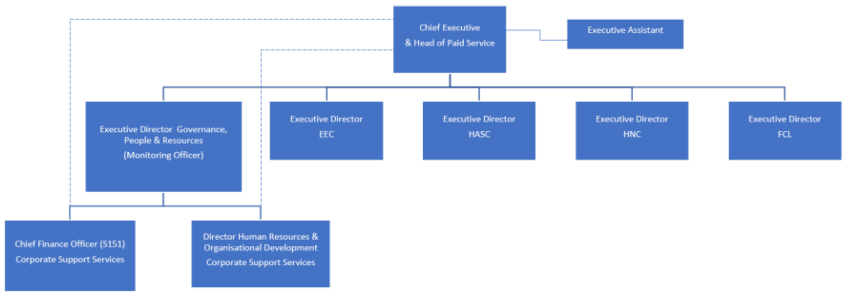
The framework aims to combine the qualities of collaboration, innovation, sustainability and impact to guide a people-centred approach to service provision to balance the Council's ambitions against a context of financial constraints and wider economic unpredictability and restriction.

The final project the Council is currently working to develop surrounds the classification of essential and non-essential services. The purpose of this classification is for senior officers at the Council to be able to demonstrate their clear prioritisation of service priorities. The classification will aid officers when facing scrutiny for decision-making and allow them to evidence their strong understanding of who the clients/customers of Council services are, how and when they are engaging with the Council, the standards they expect, the resource efficiency and impact of those engagements. The development of this classification serves as evidence that future financial planning at the Council will be informed by a clear understanding of the cost of delivering core statutory services as distinct from discretionary areas of spend.

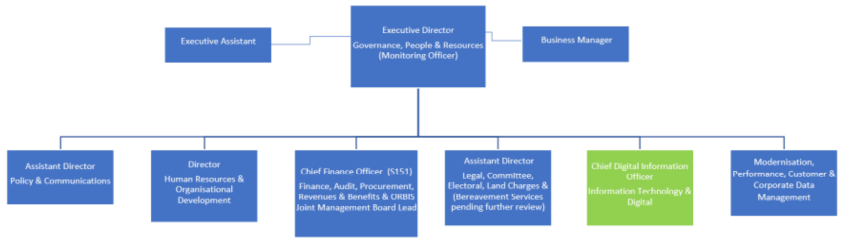
The triangulation of these strategies demonstrates the Council's focus on creating coherent links between stated corporate strategic priorities and the design of the budget, particularly in regard to investment and disinvestment of services and the approach to financial sustainability.

Governance

Proposed Executive Leadership Team Structure 2021



Proposed Governance, People and Resources Departmental Management Team Structure 2021



The effort made by Council leadership with regard to these three strategies forms part of the Council's attempts to bolster the arrangements it has in place to ensure that all relevant information is provided to decision makers before major decisions are made and for the challenge of key strategic decisions before they are taken, in particular, the classification of essential and non-essential, which will help to guide the Council through an especially challenging financial future.

Structural changes

The Council introduced changes to the Scheme of Delegations to Officers during 2021/22. In December 2021, the P&R Committee approved the proposed merger of the Finance & Resources (F&R) and the Strategy, Governance & Law (SG&L) directorates into the new Governance, People & Resources directorate. The merger came in partial response to the departure of 3 members of the Executive Leadership Team (ELT) during 2019-20 which resulted in the CEO instituting interim acting up and delegation of authority measures to ensure the smooth functioning of the Council officer team and operational delivery of Council services. The interim arrangements were extended into 2020 due to the change in administration and the focus on the pandemic. The logic behind the merging of the two directorates surrounds the premise that these services provide complementary roles and combination of the two directorates will ensure financial stability and good governance as well as providing the rest of the organisation the capacity, support and guidance needed to achieve coherent strategic direction. The fusion of the functions is expected to help in achieving economies of scale, synergy and strong, cohesive, centralised support.

We are satisfied that the changes implemented followed due process and were subject to senior officer and member scrutiny. The Council consulted with staff and trade unions surrounding the proposal in October 2021. It is evident from minutes and papers that issues were highlighted during this engagement and consultation and conclusions derived as a result. For example, the movement of Bereavement Services to Health & Adult Social Care directorate was paused to allow for further discussion with affected staff and in light of concerns surrounding management team capacity within the HASC directorate. This example serves to demonstrate that stakeholders are consulted during the development of governance structural changes and feedback from consultations are used to determine priorities and guide planning.

Governance

Pressure on the senior management team has reached a greater degree of intensity during the Covid-19 pandemic. The team was already suffering with less capacity and resilience following years of disproportionate reduction in management and administrative resourcing. Since 2015, the headcount of the organisation has reduced by 8.1% whilst management level (M8 grade and above) has reduced by 37%. Capacity challenges are key issues being felt by councils across the country. It is important to highlight that consistent reduction of senior managerial capacity is likely to have a future impact on the Council's capacity and capability and therefore likely to impact good governance. The Council must take care to keep a focus on this.

Interim and acting up arrangements can contribute to confusion over key roles and responsibilities and should not be seen as a substitute for internal, fully staffed and skilled teams. The merging of the two directorates offers a solution to this by providing full time permanently resourced staffing, as is demonstrated by the appointment of the Executive Director for the newly formed Governance, People & Resources directorate, Abraham Ghebre-Ghiorghis.

To support the new Executive Director and the Departmental Management Team, a new Assistant Director and Business Manager post have been included. This also responds to the reframing of the shared service arrangements in Orbis, feedback from the Leadership Network staff survey regarding workload pressures and slightly mitigates the impact of the 37% reduction in senior managerial capacity since 2015. This serves as evidence that employee feedback is taken into account when significant changes are proposed.

Budget setting process

We are satisfied that the Council's budget setting process includes consideration of trends, involves forecasts being subject to risk and sensitivity analysis, considers alternative proposals and scenarios before agreement of the final version of the budget and is informed by the medium term financial plan. Procedurally, the budget setting process has not changed from the previous year, therefore, as we concluded last year, we reiterate our judgement that the Council has a predominantly comprehensive budgetary setting and control process and appropriate system in place for the monitoring and assessment of risk within the system.

Risk management

BHCC has a comprehensive risk management system that has arrangements in place to identify strategic risks, understand them, record them within the system and assess/score them. 'Risk management' remains the second of the eight Council corporate objectives, demonstrating its importance. Risks are reported via the Performance Management Framework Dashboard. The Strategic Risk Register (SRR) is reported to Audit & Standards Committee (A&SC) quarterly and to P&R annually, as per the Terms of Reference. Strategic risks are given a score based on impact and likelihood and RAG-rated based on the score.

The Council has an adequate and effective internal audit function in place to monitor and assess the effective operation of internal controls. Internal audit issued 34 audit opinions on BHCC's system of internal controls in 2021/22, 23 of these concluded 'Reasonable Assurance', 8 received 'Partial Assurance' and 3 'Minimal Assurance.'

There is no evidence of pervasive or significant weaknesses in internal controls or significant gaps in assurance.

We documented in our prior year report, concerns surrounding the work of committees, including the remit, programmes of work, use of sub-committees and delegation of items to officer groups. We issued an improvement recommendation for the Council to consider the remit and programmes of work for its committees to manage the length of the agendas. Our current review has shown evidence that the Council reviews the workload of committees through discussion at ELT meetings, with proposals for changes to ensure a more equitable distribution of key functions then escalated to Group Leaders. This can be evidenced through the changes made in December 2021, where changes were made to working member groups and advisory bodies, a joint committee was disbanded and replaced by a new Orbis Partnership Board and key functions were transferred between committees.

The Council also performs an annual review of working member groups. The most recent review was reported to the Policy & Resources Committee in May 2022 and resulted in changes to the Council's 32 current permanent working member groups and its seven advisory bodies.

We noted in the 2020/21 Auditor's Annual Report that linked to the above concerns about Committee capacity, that the Policy and Resources Committee had not reviewed the SRR during that year and had not demonstrated review of the SRR since 2020. During 2021/22 the SRR was circulated to members via email along with other committee reports with a view to minimising the reports for debate at committee. Members had the opportunity to question anything in the SRR. The SRR was also taken to the Policy & Resources Committee in December 2022. We are satisfied therefore that review of the SRR has been adequately demonstrated.

Governance

Audit Committee effectiveness

A robust internal audit service and A&SC are important lines of defence in a council's control environment. This committee should provide assurance on the arrangements in place over governance, risk management and the overall control environment, as well as review the financial and non-financial performance of the Council.

Review of Committee minutes for 2021-22 shows that the Strategic Risk Register was reviewed quarterly at A&SC. We consider that the A&SC receives sufficient assurance to enable it to assess whether internal controls have operated as expected and there is no evidence of significant gaps in the assurance the A&SC has obtained over matters within its work programme.

A diversity of skills and experience can enhance the effectiveness of the Committee as members offer differing viewpoints and challenge from varying perspectives. There is evidence that members on the Committee at the Council possess these diverse skills as members have experience in legal, the NHS, marketing, engineering, town planning and property services as well as some careered politicians.

There is no evidence of unexplained high turnover of A&SC members. There was fairly significant turnover from May 2020 appointees to the May 2021 changeover with seven out of ten members being replaced. From May 2021 to May 2022 Full Council, the Committee turnover was limited with only two departures and additions. The rate of turnover is promising as reflects the Council's awareness that continuity in membership aids the Committee's ability to scrutinise effectively and allows members to develop and improve their financial and audit knowledge, enhancing the robustness and efficacy of the committee.

A&SC attendance varied throughout 2021/22. Attendance was impacted by public health considerations and the legal measures introduced to minimise risk to health as a result of the coronavirus pandemic. In March 2021, only one of the ten committee members was in absence at the meeting. In June 2021, there was a dramatic reduction in the number of attendees. Upon querying the Council, we learnt that this was due to compliance with legal requirements introduced as a result of the pandemic. In May 2021, the Council interpreted government guidance to determine that hybrid meetings where some members attend remotely, particularly if they are not voting, to be unlawful. Council also concluded that virtual attendees advising or making recommendations to officers who hold decision-making power to be unlawful. As a result of this determination, only four members attended the June 2021 Audit Committee. While it is clear that effectiveness of the Committee would have been impacted by the low attendance, we determine Council's decision to uphold the fairness of the Committee (restricting non-voting members from attending) to be a reasonable interpretation of government procedures. However, attendance at further committees throughout the year remained variable, with at least three members in absence at the September 2021, January 2022 and June 2022 A&SC meetings. One of the two independent members was only able to attend two out of the seven committees from March 2021 to June 2022. The role and effectiveness of the A&SC is diminished if attendance is insufficient to ensure robust scrutiny.

We have assurance that A&SC members are appropriately trained. The last training was provided for the Committee on 15th June 2022 covering the whole sphere of Audit & Standards responsibilities, including sessions led by key officers from internal audit, risk management, legal and the Chief Finance Officers. Training is also provided to Chairs as and when they change, and to the Council's two Independent Persons.

The Annual Governance Statement

Councils are required to prepare an annual governance statement which is consistent with the good governance principles set out in the CIPFA 'Delivering Good Governance in Local Government Framework' (2016). In our role as external auditors, we are obligated to review the extent to which the Council's AGS complies with CIPFA's guidance. Through our review, we have concluded that while broadly satisfactory, we identify two areas in which the Council's AGS could be strengthened to ensure unequivocal alignment to the guidance.

As per the guidance, the statement should:

- Demonstrate how they have monitored and evaluated the effectiveness of their governance arrangements in the year;
- Communicate to users its governance arrangements and how the controls it has in place manage risks of failures in delivering its outcomes. It should reflect an individual authority's particular features and challenges.

Improvement in these two areas will help to bolster the Council's statement and provide necessary reinforcement to the governance arrangements.

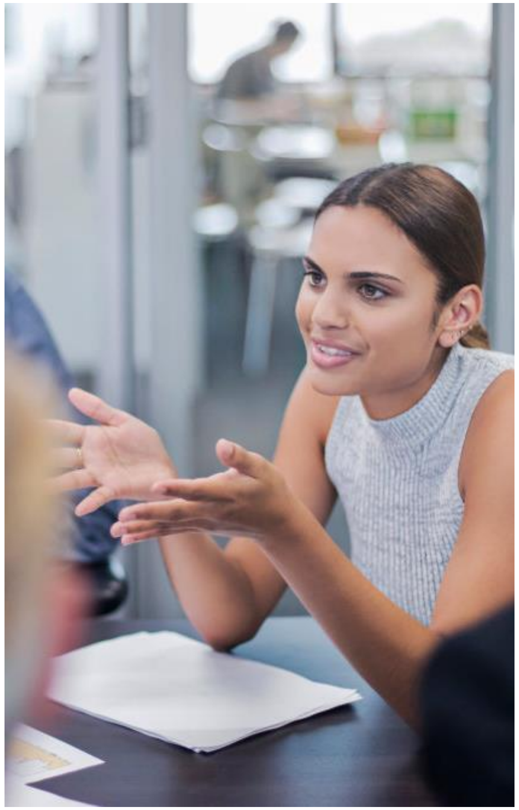
Conclusion

Overall, the Council has strong governance arrangements. 2021-22 saw the merging of two directorates into the new Governance, People & Resources directorate in order to rationalise senior staffing in those areas but also ensure it could provide the organisation with capacity, support and guidance needed to achieve coherent strategic direction. There are areas of improvement identified with regard to the remit of the Policy & Resources Committee and the Annual Governance Statement.

We have not identified any significant weaknesses in this area. We have issued one improvement recommendation.

Improvement recommendations

Governance



Recommendation 2	The Council's Annual Governance Statement should be strengthened to ensure unequivocal alignment to the CIPFA Good governance guidance in the following areas: • Documenting how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year; • Communicating to users its governance arrangements and how the controls it has in place manage risks of failures in delivering its outcomes. It should reflect an individual authority's particular features and challenges. Improvement in these two areas will help to bolster the Council's statement and provide necessary reinforcement to the governance arrangements.
Why/impact	There is the risk that the AGS is not fully performing its role as a vehicle for the Council to communicate to the users of the financial statements the Council's governance arrangements and how the controls it has in place manages risk.
Summary findings	Councils are required to prepare an annual governance statement which is consistent with the good governance principles set out in the CIPFA 'Delivering Good Governance in Local Government Framework' (2016). In our role as external auditors, we are obligated to review the extent to which the Council's AGS complies with CIPFA's guidance. We have identified two areas for improvement highlighted above.
Management Comments	The council is continually exploring options to improve its Annual Governance Statement and associated processes and has developed an easy-to-read Powerpoint version. However, the council will follow up the improvement recommendations made by the auditor to ensure that these are addressed in future Annual Governance Statements to improve the transparency and compliance of the statement.

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

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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance management

The Council continues to manage a comprehensive performance management and reporting framework. Corporate Key Performance Indicators (KPIs) are developed at Directorate Management Team (DMT) level and reported quarterly to Customer, Modernisation & Performance Insight Team and Executive Leadership Team (ELT). Performance management is overseen by the Policy & Resources Committee which will receive a bi-annual Corporate KPI report and Customer Insights report. Directorate leads and budget holders are responsible for monitoring and reporting their performance against targets and are held to account via this reporting.

The Council's Performance Management Dashboard shows how well the Council essential functions are performing and highlights what has gone well and areas of focus going forward. As at June 2022, the Council is performing well in the improvement of its staff survey results, improving the digital offer for customers and 'Fair and Inclusive: services and workforce' governance. Priority areas of focus for improvement continue to be financial sustainability of demand led services, risks associated with climate change and the customer experience from high transaction services and complaints response time.

The risk inherent in demand-led services has been assessed in detail in the financial sustainability section of this report, through the deep dive into Temporary Accommodation and Adult Social Care. These services pose risks to the Council's financial sustainability but the authority is aware of this and is responding through decisive measures. The other priority risk areas are being monitored by the Customer, Modernisation & Performance Insight Teams and 'owners' are being held to account for improvements.

Procurement

The pandemic has placed immense focus and strain on public sector procurement across the country. The increased spotlight on the procurement function at councils has coincided with increased scrutiny and a number of audit reports have unearthed poor performance on the part of some councils with regard to adherence to procurement guidelines.

Weaknesses in procurement practices have been identified by detailed Internal Audit reviews during the 2021/22 year. Internal Audit completed two reviews on procurement in October 2021 and February 2022. Both reports were assessed as 'Minimal Assurance' which means that controls are generally weak or non-existent, increasing the risk of error or fraud. The reviews centred on compliance with the Contract Standing Orders (CSOs) after the discovery at the Council of a number of areas where goods and services were procured in breach of the CSOs. The first audit sought assurance that where suppliers were paid more than £75,000, CSOs had been correctly recorded on the Contracts Register. The second report furthered the scope of the first report with greater investigation into competitive tendering of procurements. The main findings from the report that raise concerns from a value for money perspective are:

- **Incomplete Contracts Register** – expenditure exceeding £75,000 was not consistently captured on the Contracts Register;
- **Accuracy of published information** – there was no mechanism to ensure the completeness of information published to comply with the Public Contracts Regulations;

Improving economy, efficiency and effectiveness

- **Incompleteness of public contract publishing** – instances of emergency Covid-9 payments had not been followed up with a waiver record or any central record of these procurements by supplier and the contracts were not being published;
- **Missing contracts** – where CSO required either a contract or tender;
- **Lack of competitive procurement process on contracts** – Though the sum of the contracts identified was determined to be immaterial, there is the increased risk that these contracts may not provide value for money and an increased risk of bias or collusion in procurement decisions.

The procurement function of the Council has agreed to perform a periodic analysis of the Council's spend to highlight any significant variances and to work with Orbis to develop an appropriate monitoring exercise to ensure completeness of the Contracts Register. It is worth highlighting that there is risk the Council does not obtain value for money where contracts are omitted from the contracts register. The Council also cannot gain assurance against the procurement performance indicators it reports to Committee if the Contracts Register is missing significant contracts.

The Council's Contract Standing Orders (CSOs) require an annual report to be presented to the Policy & Resources Committee setting out all waivers authorised under CSOs. The Council's annual waiver report for the year 2020/21 reported a total of 51 waivers with the total value of £15,797,863. The 2021/22 report will be presented to December P&R. It is important to highlight that the reliability of data quality of this report could be reduced where contract procurement data is incomplete as suggested in the Internal Audit findings.

Senior leadership may not receive complete data from which to drive decision-making. While we believe that implementation of Internal Audit's recommendations would address these issues effectively, it is important for us to highlight to the users of the accounts that there is an issue in the feedback loop between the directorates, procurement and senior leadership that maty reduce the Council's ability to effectively monitor contracts and therefore have sufficient assurance that the entity is achieving economy, efficiency and effectiveness in its supplier agreements.

We are pleased to note that the Council has since implemented all of the agreed actions of the two internal audit reports and a programme of training has been implemented for client teams who were identified as a non-compliance risk. All contract records identified as absent from the Contracts Register have been updated. To further bolster assurance that the procurement issues identified are being ameliorated, a follow-up internal audit report on these actions is currently underway and any outstanding issues identified will be actioned accordingly.

Orbis Partnership

The Orbis Partnership was established in 2018-19 when BHCC entered into an operational agreement with Surrey County Council and East Sussex County Council to share a joint service for Internal Audit, Insurance, Treasury Management & Taxation, Procurement and IT & Digital Services. The intention was to make savings/efficiencies through collaboration.

We documented in the prior year the changes introduced following some questions from the partners with respect to future savings generation and reframing of the partnership in light of that. During 2021/22, the partnership was revised following a review of partner requirements and overall aims and it was agreed that the HR, Finance and Business Operation functions would return to individual council control. On 1 July 2021, HR and Finance services were withdrawn from the partnership and Business Operations was withdrawn on 1 April 2022.

As stated in the 2021/22 accounts, the Council has entered into a revised Inter-Authority Agreement with the two partner authorities from 1 April 2022 which includes revised 'contribution ratios' and sets out the financial management and business planning arrangement. With regard to governance, in 2021/22, the Orbis Joint Committee was dissolved and replaced by an Orbis Partnership Oversight Board which retains two members from each partner but is not a formal or public committee. The Orbis partnership still maintains a pooled budget with funding provided by each partner Council. In 2021/22, Brighton provided £8.491 million of the total £35.187 million pooled budget.

At the beginning of 2021/22, the Council set the aim of delivering £240,000 worth of savings as a result of the changes of the Orbis Partnership arrangements. The Council finished the year having realised none of these savings. These savings were intended to be achieved through bringing together the Business Operations services systems and using common system platforms to create efficiencies but both Surrey County Council and East Sussex County Council made the decision to procure separate corporate systems for HR and Finance rendering those savings unachievable.

The decision by Surrey and East Sussex to retrench their sovereign services has meant that savings achieved in past years and planned for achievement during 2021/22 could no longer be deliverable and the net financial impact on the Council was £700,000 additional pressures as at December 2021. This pressure was incorporated into 2022/23 projections and is evident in the MTFS presented at February 2022 P&R Committee. The Council performed scenario analysis and presented in the

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July 2022 update to the MTFS the known cost pressures and revised cost shares following the removal of some services from the partnership against a worst, midpoint and best-case scenario. The amounts were £1.2 million, £1.1 million and £1.0 million respectively.

However, despite the lack of achievement of those savings schemes, the Orbis Partnership continues to successfully deliver the remaining IT&D, Procurement, Internal Audit, Treasury & Taxation and Insurance services, demonstrating that some of the benefits continue to be recognised. Orbis continues to provide significant financial benefit to the organisation despite the unravelling of some of the savings in 2021/22. Over the past seven years, the partnership will have provided exactly £12m in cumulative cash savings (assuming there is no overspend in 2023/24).

The reporting of the changes in the Orbis Partnership arrangements regularly to P&R Committee demonstrates that the work of partnerships is regularly fed back to senior leadership to maintain overall decision-making responsibility. The consistent reporting against the savings progress illustrates that the Council has arrangements in place to monitor whether significant partnerships are meeting their stated objectives, which in this case, they did not.

The stated objective of £240,000 savings was determined to be undeliverable by the end of 2021/22 and the Council included the cost pressures into 2022/23 plans, demonstrating a clear pathway from reporting against objectives to feeding into future plans. It is important to note that in the particular case of the Orbis Partnership, the changes to the objectives were as a result of decisions made by the partners as opposed to BHCC. The revision of the partnership arrangements, in particular, the revocation of HR and Business Operations also shows that there is open dialogue between the Council and partners and transparency about performance. This enabled partners to build a shared understanding and then modify the partnership arrangement to address challenges.

Brighton & Hove Connected

As reported in the prior year, Brighton & Hove Connected is a strategic partnership between BHCC and local delivery organisations to provide a single local co-ordination framework to develop and drive the implementation of a devised sustainability strategy and performance framework.

We noted that its latest published meetings had not been updated since 2019 and the last shared strategy was updated in 2014-15. The associated City Management Board was initially intended to meet six times a year, receive corporate KPI data from the Council and provide a forum for review of areas of interest to the partners. As reported in the prior year, these processes did not take place.

Our work this year has confirmed that the Brighton & Hove Connected partnership is dormant as a result of the pandemic. The in-person events stopped in line with government guidelines and the Brighton & Hove Connected arrangements, as discussed with relevant colleagues at the Council, is not a partnership that can thrive through hybrid meetings. While we issued improvement recommendations in this area for the previous year, we have noted the changes in developments that have arisen since then. The appointment of the new Assistant Director Policy & Communications has enabled clear developments of plans for partnerships at the Council. All partnerships involving members are also presented at P&R and full Council to agree membership annually.

The Council is currently in the process of restarting the Brighton & Hove Connected partnership. The Council has also invested in undertaking research to map existing partnerships currently actions across the city alongside an engagement programme with a view to relaunching the B&H Connected partnership in the new term. The development of the new Business Framework will also work toward providing assurance over the governance of partnership arrangements.

The Homes for the City of Brighton & Hove LLP

Homes for Brighton & Hove is a partnership between BHCC and the Hyde Group. The Homes for the City of Brighton & Hove Limited Liability Partnership was formed in November 2017 with the Council possessing 50% of the Management Board voting rights through 3 members appointed as Designated Members of the company, however, neither partner of the LLP has a casting vote. . The Homes for The City of Brighton & Hove Design & Build Company Limited (D&B Co) is wholly owned by the LLP through its 100% shareholding.

The Council has nominated 3 of its members (50% of the total) to serve as Directors and decisions are taken by the unanimous decisions for the company's six Directors. There are risks to dual roles, not only around whether conflicts of interests are fully managed but also around whether the subsidiary itself is provided with the best skill set for its needs. There is nothing to suggest that the LLP's current governance arrangements are not fit for purpose and as the scope is sufficiently defined, we have no reason to believe that the LLP will outgrow its current governance structure. The company is supported by strong processes for declaring interests and clear decision-making responsibilities.

There is a clear shared strategy for the company. The LLP has

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the aim to deliver 1,000 affordable homes for rental and sale and the D&B Co is to construct the homes on behalf of the LLP.

In October 2020, the Policy & Resources Committee agreed to amend the agreement with the LLP and D&B Co to bring forward the first two sites and now means the HRA will be purchasing 176 homes to let at social rents. The Council is still obligated as defined by the original 2017 agreement to make financing available as per the 50:50 split during the development of the homes where a cash shortfall in the LLP is identified.

The financing is to be repaid before any surplus crystalizes from the sale of the properties to the HRA. It is important to acknowledge that there is risk within this arrangement as should the partnership experience financial difficulty, it would be the responsibility of the Council to make up the shortfall. This should be carefully monitored and kept under consistent review.

Since 2020, the business plan for Homes for Brighton & Hove (HBH) has been updated following a review to enable the new development company delivery model as a base for future development. The plan includes the requirement that each individual future project will need to be agreed by the Board. The revised business plan has a base model of 50% shared ownership and 50% formula Social Rents (these are Social Rents set to the governments formula which are higher than existing council rents, but significantly lower than Affordable Rents capped at Local Housing Allowance). In response to feedback from councillors and officers, flexibility and an ambition to increase the percentage of social rents above 50% have been built into the revised business plan in line with housing need and Council priorities.

During 2021/22 and 2022/23 reserved matters have been worked up and subsequently received approval by the Board that has seen significant changes to the business plan. This change has resulted in the LLP no longer developing homes to rent and sell itself but to instead act as a development company whereby it delivers affordable homes for sale to other parties, this could be the Council or Hyde but is not exclusively for those organisations. Individual business cases will be presented to the LLP board for their sign off when a project comes forward from the Development Management team.

The Council's revision of the HBH original business plan serves as an example of a case in which the Council revisited a previous agreement when it became apparent that its initial objectives no longer suited the partnership's current arrangements. The aim to bring the original business plan in line with housing need shows that attention is being paid to external economic and social environmental changes and the Council is making the effort to include a response to this in its activities. Aligning the new plan to Council priorities illustrates that the Council is taking care to articulate strategic priorities and translate them into meaningful actions to be delivered by the organisation.

Following the acquisition and signing of the build contracts in February 2021, work commenced during 2021/22 on the construction of the new homes: 242 new homes on land to the east of Coldean Lane and 104 homes on the side of the former Belgrave Day Centre in Portslade. The first homes are expected to be completed by summer 2023. Commencement of this work is in line with the Council's Housing Committee Work Plan 2019-23 which has the key priority of providing affordable homes for the City.

These two projects are on budget and on time to meet the completion deadlines, the funding from these projects is being provided in the form of income from BHCC and Hyde via sale agreements signed between the LLP and the two buyers in August 2021. A bi-product of this is that the D&B co will be made dormant through 2022/23 as it no longer required to construct homes under the new business plan. The LLP is reviewing its business plan and considering the need for the D&B Co to continue trading. As stated in the LLP's Statement of Accounts for 2021/22, until the new business plan has been approved by the LLP Board, the D&B Co will continue to be the route through which the homes are constricted. If the decision is to dissolve the D&B Co is taken any cash balances held within the D&B Co will be distributed in accordance with the agreements in place between the D&B co and suppliers.

The Council has an agreement with the LLP to provide the Corporate and Financial Services, which includes a quarterly report to the board outlining the current financial position for each project and forecasts costs over the relevant financial years. This quarterly paper seeks recommendations from the board on significant financial matters such as the expected spend across projects, the sign off of the annual accounts and approving appointments required. Alongside this paper a quarterly development paper is provided by Hyde who are acting as Development Managers to give an update on the construction programme. It is from these reports that the Council will form spend forecasts upon. Independent assurance on all matters involving the LLP and D&B co is provided by an external project monitor.

Conclusion

Our investigation has raised concerns regarding the Council's procurement arrangements. We believe it to be necessary to draw attention to these failings in our report, despite not issuing any recommendations, due to the value for money implications of the findings around procurement as highlighted by internal audit. We have not issued an improvement recommendation, but we have emphasised the importance of fully implementing the actions agreed with Internal Audit. We will follow up on these actions in our report next year. We have issued a recommendation surrounding the Council's management of partnerships, with specific reference to the Brighton & Hove Connected partnership. We have highlighted the Orbis partnership and Homes for the City of Brighton & Hove LLP arrangements to emphasise changes to these arrangements in the year 2021/22 and draw attention to the value for money implications.

We have not identified any significant weaknesses in this area.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	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	Improvement	March 2022	The Council was able to produce a comprehensive MTFS which explored options for adopting more strategic, long term savings and efficiency programmes to aid financial planning and resilience. However, we have issued another improvement recommendation regarding the Council's savings schemes and building in contingency.	Partially	A key recommendation has been issued in 2021/22.
2	The findings and recommendations of the Enterprise Strategy reviews should be revisited at the earliest opportunity .	Improvement	March 2022	The Council developed a new and comprehensive MTFS which made reference to the Enterprise Strategy reviews and action plans to ensure they were embedded in forward planning and priority areas for VFM improvement.	Yes	No
3	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.	Improvement	March 2022	The Council is working to produce their Workforce Strategy by December 2022/January 2023.	Yes	Follow up next year
4	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.	Improvement	March 2022	We were satisfied that the Council has demonstrated that they have reviewed the remit and work programmes of Committees, and review of the SRR has been adequately demonstrated.	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	Data reporting to the Department for Levelling Up, Housing and Communities should be reviewed for accuracy and where necessary revised.	Improvement	March 2022	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.	Yes	No
6	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).	Improvement	March 2022	The Council appointed a new Assistant Director Policy & Communications to help re-energise partnerships, and there are now clear plans in place around partnerships. All partnerships involving members are presented at P&R and full Council to agree membership annually. The Council is currently in the process of restarting the Brighton & Hove Connected partnership. The Council has also invested in undertaking research to map existing partnerships currently actions across the city alongside an engagement programme with a view to relaunching the B&H Connected partnership in the new term. The development of the new Business Framework will also work toward providing assurance over the governance of partnership arrangements.	Yes	No
7	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.	Improvement	March 2022	We are satisfied that improvements to partnership arrangements during 2021/22 have addressed this recommendation.	Yes	No
8	Brighton and Hove City Council should consider agreeing an entity-level Procurement Strategy.	Improvement	March 2022	Procurement have confirmed that this is going to be completed in 2023.	Yes	Follow up next year

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Opinion on the financial statements

Audit opinion on the financial statements

The audit of the 2021-22 financial statements audit is ongoing. We have substantially completed the work on our audit of your financial statements, but there is some work outstanding and we have not yet issued our auditor's report.

Findings from the audit of the financial statements were reported to the Audit and Standards Committee on 29 November. Audit findings can have an impact on value for money considerations, particularly around governance. Therefore, this report is presented as an Interim Annual Auditor Report and will be finalized and updated where appropriate on completion of the financial statements audit.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit and Standards Committee on 29 November 2022. There were outstanding matters at the date of that report which are ongoing.

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 WGA procedures for the 2021/22 year will be completed after the audit work is complete.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

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

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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.

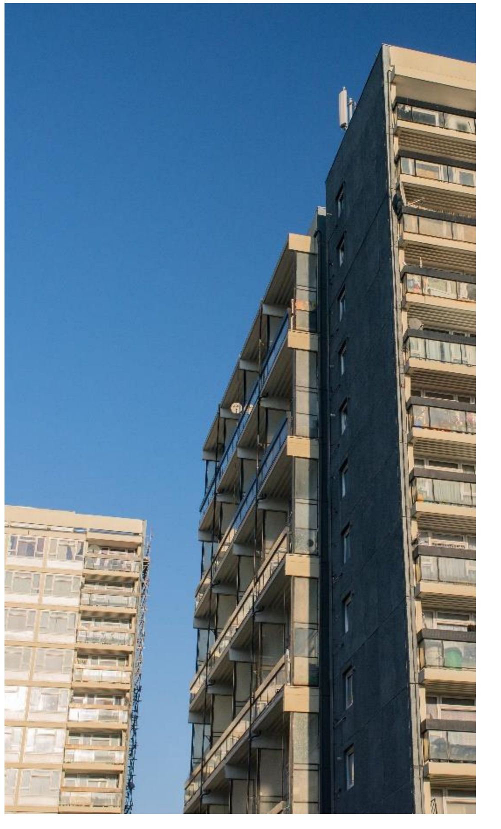
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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.	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'.	Yes	12
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	11, 17-18, 23

Appendix C – Sources of evidence

Staff involved

- Geoff Raw, Chief Executive
- Nigel Manvell, Chief Finance Officer
- James Hengeveld, Deputy Chief Finance Officer
- Haley Woollard
- Abhraham Ghebre-Ghiorghis, Executive Lead Officer for Strategy, Governance and Law
- Carolyn Sheehan, Internal Auditor
- Russell Banks, Internal Auditor
- Simon Newell, Policy, Partnership & Scrutiny Lead
- Kenneth Simpson, HR Lead
- Rima Desai, Assistant Director (Customer, Modernisation & Performance Insight)
- Clifford Youngman, Head of Procurement

Documents Reviewed

- General Fund Revenue Budget, Capital & Treasury Management Strategy 2022/23
- Statement of Accounts 2021/22 and 2020/21
- Medium Term Financial Strategy
- Treasury Management Strategy
- Ofsted inspections
- Cash flow forecasts
- Targeted Budget Management Reports 2021/22 and 2022/23
- Summary of Savings Progress
- Capital Strategy 2022-23
- Delegation of Committees
- Housing Committee Workplan
- Modernisation RAG rating guidance
- Modernisation Dashboard
- Corporate Plan KPI progress
- Audit Committee Minutes
- Policy & Resources Committee Minutes
- Strategic Risk Registers
- Budget Guidance Notes 21-22
- Counter Fraud Annual Report 21-22
- Council meeting minutes
- Code of Conduct for Members
- Amendments to Scheme of Officer Regulations
- Internal Audit Annual Report and Opinion 2021-22
- Corporate Key Performance Indicator Target
- Home to School Transport Re-Procurement
- Housing Repairs Maintenance Contracts
- Homes for the City of Brighton & Hove LLP Business Plan

Appendix D - Key acronymous and abbreviations

The following acronyms and abbreviations have been used within this report

ICS – integrated care system

AGS – annual governance statement

SRR – Strategic Risk Register

BHCC – Brighton & Hove City Council

AAR – Auditor's Annual Report

NAO - National Audit Office

The Code - Code of Audit Practice

MTFP – medium term financial plan

MTFS – medium term financial strategy

TBM - Targeted Budget Monitoring

COMF - Contain Outbreak Management Fund

TA - Temporary Accommodation

KPI – Key Performance Indicator

HRA – Housing Revenue Account

P&R - Policy & Resources Committee

ASC – Adult Social Care

F&R - Finance & Resources

SG&L - Strategy, Governance & Law

ELT – Executive Leadership Team

PWLB – Public Works Loan Board

DMT - Directorate Management Team

AC – Audit Committee

CSOs - Contract Standing Orders (CSOs)

LLP – Limited Liability Partnership

D&B – Design & Build

HBH - Homes for the City of Brighton & Hove LLP

DLUHC – Department of Levelling Up, Housing & Communities

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