

**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT & STANDARDS COMMITTEE**

**4.00pm 25 MARCH 2014**

**COUNCIL CHAMBER, HOVE TOWN HALL**

**MINUTES**

**Present:** Councillors Hamilton (Chair), A Norman (Opposition Spokesperson), Lepper, Smith, Summers, Sykes and Wealls

**Independent Persons & Co-opted Members:** Dr Lel Meleyal

**PART ONE**

**73. PROCEDURAL BUSINESS**

**73a Declarations of substitutes**

73.1 There were no declarations of substitutes.

**73b Declarations of interests**

73.2 There were no declarations of interests.

**73c Exclusion of the press and public**

73.3 In accordance with Section 100A of the Local Government Act 1972 ("the Act"), the Committee considered whether the public should be excluded from the meeting during consideration of any item of business on the grounds that it is likely in view of the business to be transacted or the nature of the proceedings, that if members of the public were present during it, there would be disclosure to them of confidential information as defined in Section 100A (3) of the Act.

73.4 **RESOLVED** - That the public are excluded from the meeting from items listed on Part 2 of the agenda.

**74. MINUTES**

74.1 **RESOLVED** – That the Chair be authorised to sign the minutes of the meeting held on 21 January 2014 as a correct record.

**75. CHAIR'S COMMUNICATIONS**

75.1 The Chair noted an error in the agenda in relation to the covering report for Item 105 and clarified the correct recommendations.

## **76. PUBLIC INVOLVEMENT**

76.1 The Chair noted a public question had been received from Mr Roy Pennington; as Mr Pennington was not present at the meeting it was agreed that the response to the question would be sent after the meeting.

76.2 The Chair noted there were no other petitions, written questions or deputations.

## **77. MEMBER INVOLVEMENT**

77.1 The Chair noted there were no items from Members.

## **78. REVIEW OF THE EFFECTIVENESS OF THE AUDIT & STANDARDS COMMITTEE - FINAL REPORT**

78.1 The Committee considered a joint report of the Executive Director of Finance & Resources and the Monitoring Officer concerning a review of the effectiveness of the Committee. The Committee had been created at the beginning of 2012/13 municipal year, and at the last meeting the Committee had received the first report on the effectiveness of the Committee. This report concluded the review and recommended actions.

78.2 In response to Councillor Wealls the Head of Financial Services explained that generally speaking the value for money (VFM) savings were monitored through the TBM process where they were defined and approved as part of the budget setting process. In assessing and determining VFM savings the Council would look at comparative costs and an assessment of overheads. In response Councillor Wealls asked if Officers could investigate a more robust methodology to identify where something was a budget reduction and where it was a VFM saving.

78.3 Councillor Summers asked a series of questions and the following responses were provided: Work was currently being undertaken to look at Member training and the induction onto new Committees. Championing and influencing had been raised in regard to the Standards work of the Committee and the Committee could focus on topics by reviewing internal protocols and other similar documents. The work of future reviews would seek to assess the value the work of the Committee added to the organisation.

78.4 Councillor Sykes stated that if VFM was confused with service pressure then the level of service pressure could increase, but this could be reduced through early intervention. It was highlighted that the Executive Director of Finance & Resources had suggested the role of the Committee in understanding and influencing ethics in the organisation could be developed, and where there were concerns individual Officers could be invited to the Committee. The Monitoring Officer added that there was a role for the Committee to fill in relation to functions previously performed by the now defunct Governance Committee.

78.5 In response to Councillor A. Norman the Monitoring Officer explained that there had been a general discussion in relation to the core knowledge and skills framework of the Committee when assessed using the desktop exercise. He stated that the Committee Members were very experienced and the Committee benefited hugely from the talent bought by the Independent Persons, and the term 'satisfactory' which was used in report did not do justice to the level of skill.

78.6 **RESOLVED** – That the Committee:

- (1) Note the findings of the Review of Effectiveness of the Audit & Standards Committee; and,
- (2) Agree the recommendation as set out in paragraph 3.11.

## 79. WHISTLEBLOWING POLICY

79.1 The Committee considered a joint report of the Executive Director of Finance & Resources and the Monitoring Officer concerning the Whistleblowing Policy. At the meeting on 24 September 2013 the Committee considered a report detailing the Council's existing whistleblowing arrangements and it was agreed a review would be undertaken to ensure they were fit for purpose. The report sought to brief the Committee on the findings and the proposals for ensuring that the whistleblowing arrangements remained effective and robust.

79.2 Councillor Summers asked a series of questions and the following responses were given: Currently the online training module was not compulsory for new employees, but was recommended as part of the corporate checklist. There was a role for staff in understanding the public interest and the policy gave examples of the type of issues that it would cover. In relation to the unions they had not been involved in the drafting of the policy, but had previously been supportive of such work; their greater involvement could be considered for the future.

79.3 **RESOLVED** - That the Committee:

- (1) Note the findings of the recent review of the council's Whistleblowing Policy, as set out in paragraphs 3.5-3.11;
- (2) Note the proposed actions, set out at paragraph 3.12, intended to improve the effectiveness of that Policy; and,
- (3) Agree the slight amendments to the policy as shown in the tracking in Appendix 1.

## 80. MEMBER COMPLAINTS UPDATE

80.1 The Committee considered a report of the Head of Law & Monitoring Officer in relation to the Complaints Update; the paper sought to provide the regular update to the Committee in relation to allegations about Member conduct. The report did not cover corporate complaints as an annual report would be brought to the Committee in July.

80.2 The Monitoring Officer made a general comment that that the majority of complaints about Members were resolved informally and usually an apology was the most effective way to do this.

80.3 **RESOLVED** – That the Committee note the report.

#### **81. REVIEW OF CODE OF CONDUCT COMPLAINTS PROCEDURE**

81.1 The Committee considered a report of the Monitoring Officer in relation to the review of procedure for dealing with alleged breaches of the Members' Code of Conduct. The report sought agreement to the proposals of the cross-party working group tasked with reviewing the Council's procedure for dealing with alleged breaches of the Code of Conduct for Members. Since the introduction of the current procedure in 2012 a more full review was necessary to address certain issues including those highlighted in a recent case decided by the Council's Standards Panel. At the previous meeting the Committee agreed to the formation of a cross-party working group to review the procedure and to report back to the subsequent Committee meeting. There was also an amendment to paragraph 13.6 of the procedure such that 'if a request for an appeal is granted, a Standards Panel composed of different members and a different Independent Person from those who originally heard the allegation would consider the entire case'. By way of introduction both Dr Meleyal and the Monitoring Officer spoke to the report.

81.2 The Monitoring Officer clarified that the proposed change to the status of the Standards Panel was a technical change and the usual rules normally applicable to committees and sub-committees in relation to 'access to information' would apply even if the Panel were to convert from a Sub-Committee to a Panel. The Chair noted the two key changes were the status of the Panel and the appointment of one of the independent persons as the chair.

81.3 In response to Councillor Summers the Monitoring Officer explained that the Localism Act had removed the previous structure of the Standards regime; the Act was not as prescriptive as the previous legislation on Standards and the Council only needed to have in place "arrangements" for investigating and deciding on allegations of Code of Conduct breaches. It was also important to note that the new regime had no formal sanctions and was simply expressive or could make recommendations; this changed the need for the decision making body to be a Sub-Committee.

81.4 In relation to the collective decision of the Panel the Monitoring Officer explained that consideration of matters such as human rights and freedom of speech had been undertaken, but the working group was of the view that the strength of the system required the Panel to collectively own the decision. There was concern that if the decision of the Panel was not cross-party then the process could be open to accusations of being driven by party politics, and the preference would be for the process to be driven by consensus; this needed to be weighed against the desire of a particular Member to speak out.

81.5 Councillor Lepper stated that the working group had been extremely useful, and its work had formed part of a regular review process. She considered it appropriate that the Panel be chaired by an independent person and that they not have a vote in the process. If there was a difference of opinion of the Members on the Panel then only the

collective decision should be reported; as with the practice with Licensing Panels and Personnel Appeals where Members were free to express their opinion in the decision making process and then reach the final decision collectively. It was felt that if a clear difference of opinion were publicised then this could undermine the whole process.

- 81.6 Councillor A. Norman noted that she agreed with the comments made by Councillor Lepper and felt strongly that the process would be undermined if the decision were not owned collectively. She highlighted how important this piece of work had been and thanked the input of Officers and the independent persons. She was happy with the recommendations and felt that they were fair, and hoped they would be accepted by the Committee.
- 81.7 Councillor Sykes suggested that the wording of decision notices could give an indication of where the decision making had not been unanimous with the use of phrases such as 'on balance'.
- 81.8 **RESOLVED** – That the Committee:
- (1) Subject to recommendation 2.2, agree to the amended procedure for handling alleged breaches of the Members' Code of Conduct, as set out in Appendix 2, based on the proposals of the Standards cross-party working group set out in Appendix 1;
  - (2) Recommend to Policy & Resources Committee that the Standards Panel's designation be altered from a sub-committee to a panel; and,
  - (3) Instruct the Monitoring Officer to co-ordinate a review of the Members' Code of Conduct later in 2014 and, in consequence of that review, to bring a report with recommendations to the Committee.

## 82. ERNST & YOUNG - 2013/14 AUDIT PLAN

- 82.1 The Committee considered a report of the External Auditors in relation to the 2013/14 Audit Plan. The report set out the work the External Auditors planned to provide the authority with in relation to the audit opinion and the conclusion around the Council's arrangements to secure economy, efficiency and effectiveness. The report summarised the progress to date and the assessment of the key risks which drove the development of an effective audit.
- 82.2 In response to Councillor A. Norman the Executive Director of Finance & Resources explained that the existing partnerships in the city were better placed to address the changes proposed through the Better Care Fund, and this would be supported through the changes to the Health & Wellbeing Board. A workshop was currently being set up on this issue which would provide an opportunity for Members to engage in this process. The Annual Governance presentation listed on the agenda was also part of the oversight of this matter and it was noted that the issue had become important recently in the scope of the Committee's work.
- 82.3 In response to Councillor Sykes the Executive Director of Finance & Resources explained that there were choices, that could be political, to be made around reducing

services; however, there were others where demand fluctuated and the VFM savings looked specifically at services for lower costs or the same costs with more output.

82.4 **RESOLVED** – That, having asked any relevant questions, the Committee note the report.

### **83. ERNST & YOUNG - AUDIT PROGRESS REPORT AND SECTOR UPDATE**

83.1 The Committee considered a report of the External Auditors in relation to Audit Progress Report and Sector Update. The report also contained the most recent sector briefing outlining current issues and developments affecting local government for the Committee's information.

83.2 **RESOLVED** – That the Committee note the report.

### **84. ERNST & YOUNG: HOUSING & COUNCIL TAX BENEFIT CLAIM CERTIFICATION - FINAL CONFIRMATION OF AUDIT FEE**

84.1 The Committee considered a report of the External Auditors in relation to the 2012/13 Housing and Council Tax subsidy benefit certification fee confirmation. The report set out the final audit fees in respect of the certification of grants and returns annual report; subject to any variations to be agreed by the Audit Commission. The letter confirmed the Audit Commission had formally approved the audit scale fee variation of £2,192 in relation to Housing and Council Tax Subsidy Benefit Claim.

84.2 It was confirmed for Councillor Summers that the housing capital receipt was agreed at the January meeting of the Committee.

84.3 **RESOLVED** – That the Committee note the letter and the final fee for the 2012/13 Housing and Council Tax Subsidy claim certification audit.

### **85. PRESENTATION - ANNUAL GOVERNANCE STATEMENT 2013/14**

85.1 The Executive Director of Finance & Resources gave a presentation in relation to the Annual Governance Statement 2013/14. The presentation covered the approach to the Annual Governance Statement; the areas for improvement; the key themes for 2013/14 and the emerging priorities for 2014/15.

### **86. STRATEGIC RISK MAP FOCUS: SR15 KEEPING CHILDREN SAFE FROM HARM AND ABUSE; AND SR17 SCHOOL PLACES PLANNING**

86.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Strategic Risk MAP Focus: SR15 keeping children safe from harm and abuse; and SR17 School Places Planning. The Committee had a role to monitor the effectiveness of risk management and internal control by oversight of the Strategic Risk Register and a Risk Management Action Plan for each risk which is owned by a member of the Executive Leadership Team. The Committee had agreed to focus on two strategic risks at each meeting so that over the course of a year all the MAPs received attention. The Risk Owner responsible for both would be the Executive Director of Children's Services.

- 86.2 The Executive Director of Children's Services introduced both risks and stated that SR15 would always be in the register as it related to keeping children safe from harm and abuse; the authority would always do its very best to mitigate against this and it was hoped that the Multi-Agency Safeguarding Hub would be fully up and running in the next few months. The number of children and young people on child protection plans and in care was higher than might be expected; however, rather than create artificial targets more work had been done on early intervention. The Executive Director then went on to discuss SR17 and explained that the city had a growing population of children and there was a lot of work to consider admission arrangements already being undertaken.
- 86.3 In response to Councillor Sykes the Executive Director for Children's Services explained that the number of adolescents moving into care had increased; work was being undertaken to look at the pathway around this as it was a key issue to focus on.
- 86.4 In response to the Chair it was confirmed by the Executive Director of Children's Services that changes under the Children and Families Act had increased the system of support for young people had been extended to 21, and the authority would continue to support key post 18 issues such as accommodation.
- 86.5 It was confirmed for Councillor Wealls that the spend on youth services had been maintained.
- 86.6 In response to the Chair the Executive Director of Children's Services explained that the situation in relation to school places in the city was constrained by the situation of parental preference and there had been an increase in the number of families in central Hove; whilst the population in Portslade had remained largely static. Over the last few years work had been undertaken to look at where capacity could be increased, but some schools were reluctant to do this. It was projected that admissions this year and next would reach their peak followed by a very gradual, but not significant, decline. This would need to be managed across the city. There were also issues in terms of secondary school places and where the academies in the city were below numbers the best use needed to be made of these capacities in the next few years.
- 86.7 In response to Dr Meleyal the Executive Director of Children's Services explained that the number of children with special educational needs was not increasing across the city; there were six special schools in the city. There were some issues with the funding around these special schools, and there were greater risks that could affect their budget. A full scale review was due to start in relation to the special educational needs provision. It was important the funds spend in this area were used in the best possible way.
- 86.8 The Executive Director of Children's Services responded to Councillor Smith's questions and explained that the Saltdean Primary School served the community of Saltdean; however, half of the town was located in the city and the other half within the jurisdiction of East Sussex County Council. Parental preference preferred Saltdean Primary School and the authority was working with the school to increase the intake number. It was explained that the funding for pupils came through the dedicated schools grant from Central Government and was based on the number at the school.

86.9 In response to Councillor Sykes the Executive Director of Children's Services explained that there was a lot of hard work going in relation to secondary school places, and the geographical set up of the city created further problems. There was confidence that a solution would be reached through a range of different options.

86.10 **RESOLVED** – That, having asked any relevant questions, the Committee note the report.

## 87. INTERNAL AUDIT PROGRESS REPORT 2013/14

87.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Internal Audit Progress Report 2013/14; the report sought to inform the Committee of the progress made against the Internal Audit Progress Plan 2013/14 – including the outcomes of specific reviews completed and the tracking of the implementation of recommendations. The report also included information on the work undertaken by the Corporate Fraud Team.

87.2 In response to the Chair the Acting Head of Internal Audit explained that part of the purpose of the report was to facilitate an open discussion with the Committee about the progress of the audit plan; the current forecast projected that 85% of the original plan would be completed by the year end. The Committee has agreed to the deletion of some work through the year, and the work had been impacted on by resources within the team and the production of more in-depth work in some areas.

87.3 The Chair asked about 'establishment control' and in response the Executive Director of Finance & Resources explained that this was a new process, but was not being utilised to its full potential. Until now there had not been an established central control, it had depended on budget availability, and these new changes would create tighter controls. Whilst the ideal solution could be a fully joined up HR and finance system this was not currently affordable instead it was proposed to merge the HR and finance systems teams with some single management to better control this area.

87.4 In response to Councillor Summer's question about the collection of outstanding debt the Executive Director of Finance & Resources explained that very large areas for collection such as business rates and council tax were corporate and an assumption was made about the level that would be collected. In areas such as parking there was an assumption about the level of penalty notices and this was accounted for in the parking services budget. In relation to the cancellation of debts there was further work to be progressed in particular opportunities to consolidate debt arrangements.

87.5 In response to Councillor Wealls the Executive Director of Finance & Resources confirmed that there was a protocol in place in relation to the recommendations from audits and how they would be progressed through tracking. Where these were not progressed the ultimate responsibility was with service managers. It was also noted that the Committee could play a role in holding Officers to account were recommendations were not implemented.

87.6 **RESOLVED** – That the Committee notes the progress made in delivering the Annual Internal Audit Plan 2013/14.



**88. INTERNAL AUDIT STRATEGY AND PLAN 2014/15**

- 88.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Internal Audit Strategy and Plan 2014/15. The report detailed the objectives and priorities of Internal Audit for the 2014/15 financial year. It also summarised the priorities and resources of the Corporate Fraud Team.
- 88.2 In response to Councillor Wealls the Acting Head of Internal Audit explained that the working methodology calculated the days spent and the costs; however, the distribution of the costs was less sophisticated as the service was treated as a central service in the larger recharging of the Council.
- 88.3 In response to Councillor Sykes it was explained that there was regular joint pieces of work with health partners and work in relation to understanding where the responsibility sat for governance arrangements, and which areas the Council had responsibility to audit. In relation to a further query it was explained that the Department for Work & Pensions (DWP) was progressing work to move housing benefit investigators to the DWP and as such the Council would lose part of its anti-fraud capacity – this would impact on virtually all local authorities.
- 88.4 **RESOLVED** – That the Committee approve the Internal Audit Strategy and Annual Audit Plan for 2014/15.

**89. RISK MANAGEMENT STRATEGY 2014 - 2017**

- 89.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Risk Management Strategy 2014-2017 which had been approved by Policy & Resources Committee on 20 March 2014; the report was referred the Audit & Standards Committee for information.
- 89.2 In response to Councillor Sykes the Risk Manager explained that there were two sides to risk and opportunity and using the risk method with scores and colour coding it was possible to prioritise issues and provide for risk escalation so that the council could make decisions on how to make the best use of its resources. It was noted that the primary aim of the risk management strategy was to enable prioritisation and management of risk. It was also added by the External Auditor that there was a role for the Council to consider its own level of risk appetite.
- 89.3 **RESOLVED** – That the Committee note the report.

**90. TARGETED BUDGET MANAGEMENT (TBM 9)**

- 90.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Targeted Budget Management (TBM) Provisional Outturn 2013/14. Targeted Budget Monitoring (TBM) reports were a key component of the Council's overall performance monitoring and control framework. TBM reports were periodically presented to Policy & Resources Committee and were subsequently provided to the next available Audit & Standards Committee for information and consideration in the

context of the Committee's oversight role in respect of financial governance and risk management. The TBM report set out the provisional outturn position on the Council's revenue and capital budgets for the financial year 2013/14.

90.2 **RESOLVED:** That the Committee note the report referred from the Policy & Resources Committee.

**91. ITEMS REFERRED FOR COUNCIL**

91.1 There were no items referred to Council.

**92. PART TWO MINUTES**

92.1 **RESOLVED** – That the Chair be authorised to sign the Part 2 minutes of the meeting held on 21 January 2014 as a correct record.

**93. PRESENTATION: ANNUAL GOVERNANCE STATEMENT 2013/14 (EXEMPT ITEMS)**

93.1 The Executive Director of Finance & Resources gave a presentation in Part 2 in relation to the Annual Governance Statement 2013/14.

**94. PART TWO PROCEEDINGS**

94.1 **RESOLVED** – That the Part 2 Items remain exempt from disclosure from the press and public.

The meeting concluded at 7.32pm

Signed

Chair

Dated this

day of