





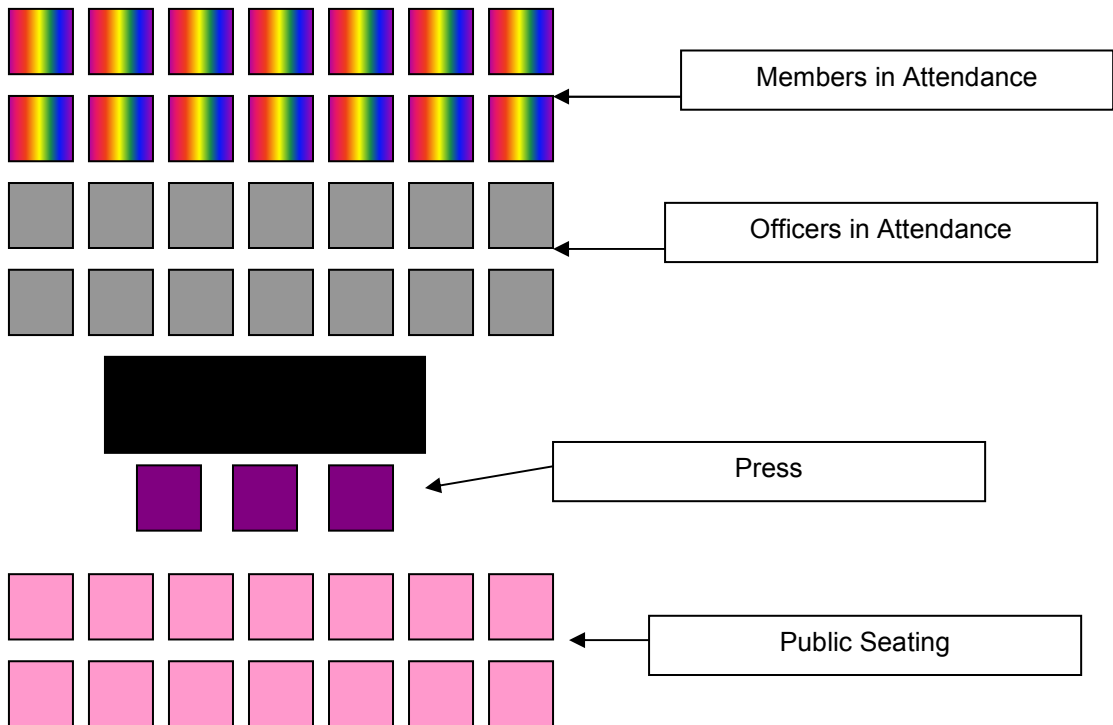
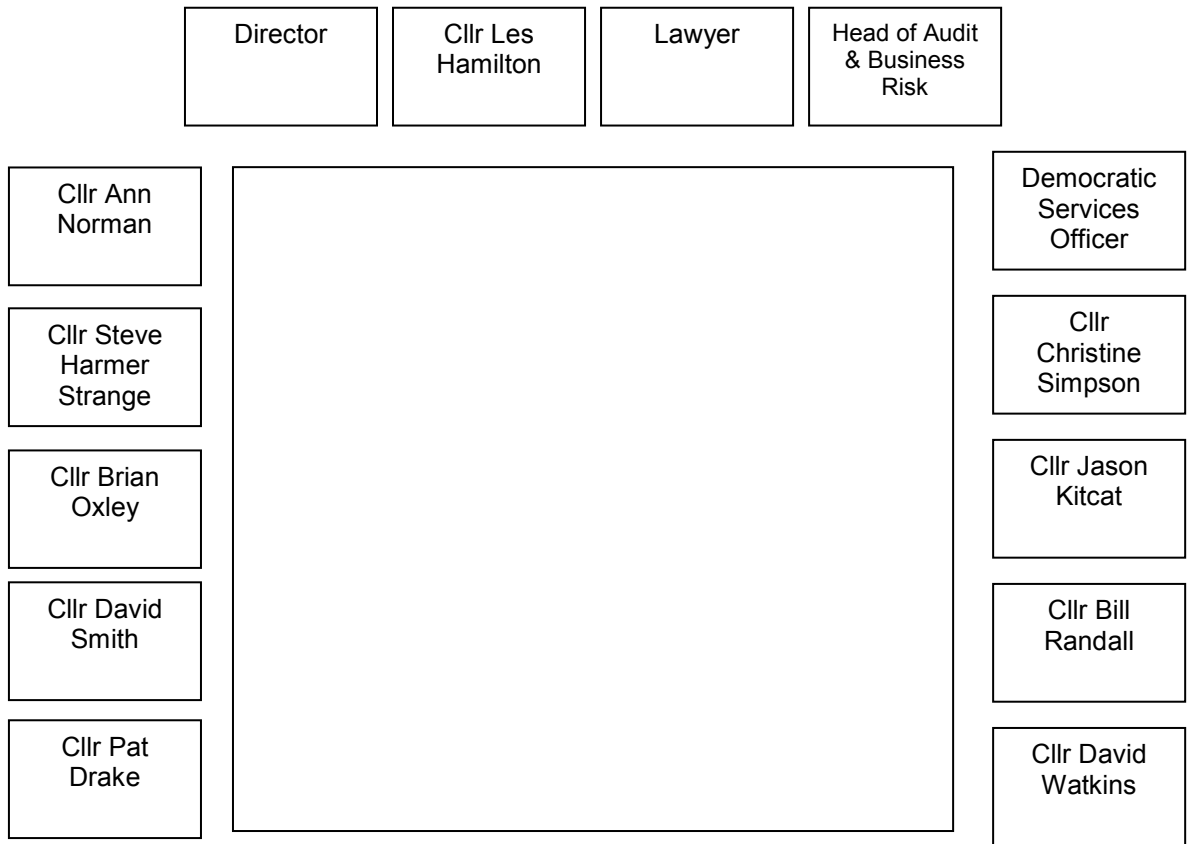
Brighton & Hove
City Council

Audit Committee

Title:	Audit Committee
Date:	29 June 2010
Time:	4.00pm
Venue	Committee Room 1, Hove Town Hall
Members:	Councillors: Hamilton (Chairman), Watkins (Deputy Chairman), Drake, Harmer-Strange, Kitcat, Mrs Norman, Oxley, Randall, Simpson and Smith
Contact:	John Peel Democratic Services Officer 01273 291058 john.peel@brighton-hove.gov.uk

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Democratic Services: Meeting Layout



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AUDIT COMMITTEE

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For further details and general enquiries about this meeting contact John Peel, (01273 291058, email john.peel@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

AUDIT COMMITTEE

Date of Publication - Monday, 21 June 2010

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00pm 18 MAY 2010

COMMITTEE ROOM 1, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chairman), Watkins (Deputy Chairman), Kitcat, Oxley, Simpson, Smith and Randall

PART ONE

76. PROCEDURAL BUSINESS

76a Declarations of Substitutes

76.1 There were none.

76b Declarations of Interest

76.2 Councillors Simpson and Randall declared a personal but not prejudicial interest in Item 91: Corporate Risk Management Action Plan Focus- Housing for the reason that they sat on the Board for the Local Delivery Vehicle (LDV).

76c Exclusion of the Press and Public

76.3 In accordance with section 100A of the Local Government Act 1972 ('the Act'), the Audit Committee considered whether the press and public should be excluded from the meeting during an item of business on the grounds that it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press or public were present during that item, there would be disclosure to them of confidential information (as defined in section 100A(3) of the Act) or exempt information (as defined in section 100I of the Act).

76.4 **RESOLVED** - That the press and public be excluded from the meeting during consideration of item 90, Non-Public Minutes of the Previous Meeting, and item 91, Corporate Risk Management Action Plans Focus- Housing as these items were exempt under Paragraph 3 of Schedule 12A of the 1972 Act (information relating to the financial or business affairs of the authority).

77. MINUTES OF THE PREVIOUS MEETING

- 77.1 **RESOLVED-** That the minutes of the previous meeting held on 30 March 2010 be approved and signed as the correct record pending the following amendment: 'After the meeting it was decided that an abridged version of the outcomes should be released. The subsequent report will be available at the next meeting on 18 May'.

78. CHAIRMAN'S COMMUNICATIONS

- 78.1 The Chairman notified the Committee that there were two documents available at the meeting. These documents were The Chartered Institute of Public Finance and Accountancy Audit Committee Update and the abridged version of the National Fraud Initiative 2008/09 Outcomes that had been an exempt item at the last meeting.
- 78.2 The Chairman wished it noted that the absence of Councillors Harmer-Strange, Drake and Norman was in all likelihood down to the lack of notification after the recent changes in Council Committee duties. He asked that their absence be recorded but not as an apology and that all documents be circulated to them after the meeting's conclusion.

79. PETITIONS

- 79.1 There were none.

80. PUBLIC QUESTIONS

- 80.1 There were none.

81. DEPUTATIONS

- 81.1 There were none.

82. WRITTEN QUESTIONS FROM COUNCILLORS

- 82.1 There were none.

83. LETTERS FROM COUNCILLORS

- 83.1 There were none.

84. UPDATE ON INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING - STATEMENT OF RECOMMENDED PRACTICE (SORP)

- 84.1 The Committee considered a report in the form of a presentation of the Financial Services Division that provided an update on the International Financial Reporting Standards (IFRS) and the Statement of Recommended Practice (SORP).

The report covered:

- Changes in the accountancy of Private Finance Initiatives (PFI) whereby a new test based on who controls the services and the residual value of the assets would be introduced.
- Changes to Council Tax accountancy
- Disclosures of Executive Remuneration
- Preparation work for and implications of the adoption of IFRS

- 84.2 Councillor Randall asked where the payments of PFI's were realised. The report author informed him that payments would be accounted for under expenditure.
- 84.3 Councillors Simpson and Randall asked if these changes would occur at national level and furthermore become a part of national borrowing. The report author confirmed that the changes would be adopted by central government and other bodies and would be accounted for as part of national borrowing.
- 84.4 Councillor Kitkat enquired if the changes to SORP would inform and impact future PFI negotiations. The Director of Finance replied that it would make a difference to the risk and balancing procedures in negotiations of future PFI contracts.
- 84.5 Councillor Randall asked that under the new test on who controls the service and the residual value of the assets, what the impact might be on bodies that work closely with the Council such as Housing Associations. Councillor Simpson similarly enquired about the impact on the LDV of the test.
- 84.6 The Director of Finance and Resources responded that the lease terms for the LDV had been a long-running issue. She was unsure of the impact of the test on bodies such as these and would investigate the issue and report back to the Audit Committee in the near future.
- 84.7 Councillor Oxley asked if this might also be the case for voluntary and third sector bodies. The Director of Finance and Resources clarified that if the payments the Council are making enables the body concerned to have the asset in question then it could do and might well impact ownership if the Council reciprocates the high majority of the asset. However, there was a distinct difference between ownership and accounting treatments.
- 84.8 The Committee discussed the implications of the far-reaching examination of leases and the organisations that would have to do it and the notion of ownership under the new test. It was agreed by Members of the Committee that the matter was one of urgency and that a thorough examination of the issue should be carried out as soon as possible.
- 84.9 Councillor Kitkat asked if other European States would be adopting IFRS. The Director of Finance and Resources informed him that they would but not necessarily to the same timetable.

84.10 The Committee further discussed the advantages and disadvantages of the scheme including the work involved for council departments such as Human Resources and Estates and the perceived benefit to the council tax payer.

84.11 **RESOLVED-** That the Update on IFRS and code of practice and Statement of Recommended Practice is noted.

85. AUDIT COMMISSION: PROGRESS REPORT 2009/10

85.1. The Committee considered a verbal update that supplemented the report in the agenda from the Audit Commission.

85.2 **RESOLVED-** that the Progress Report from the Audit Commission be noted.

86. ASSURANCES FROM THE AUDIT COMMITTEE AS THE BODY CHARGED WITH GOVERNANCE 2009/10

86.1 In reference to letter as per agenda, Councillor Hamilton responded that answers to the questions posed would be provided at the next meeting on 29 June 2010.

87. INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2010/2011

87.1 The Committee considered a report and a supplementary presentation by the Audit Manager on the Internal Audit Strategy and Annual Plan 2010/11.

87.2 In reference to 'Partnership Governance' on page thirteen of the report, Councillor Randall asked on the nature of partnerships currently in existence.

87.3 The Audit Manager gave the example of South Coast Audit which operated with the National Health Service in that region. The issue of partnership working would be further explored as part of the Internal Audit Review.

87.4 **RESOLVED-** That the Committee agree to the proposals in the Internal Audit Plan 2010/11 and to the Terms of Reference.

88. RISK AND OPPORTUNITY MANAGEMENT (ROM)

88.1 The Committee considered a verbal report giving an update on developments in Risk and Opportunity Management. The Committee were informed that there would be a report on the updated Corporate Risk Register at the next meeting on 29 June 2010.

88.2 **RESOLVED-** That the verbal update on Risk and Opportunity Management be noted.

89. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

89.1 Councillor Hamilton asked if there were any fellow Members with an interest in involvement in the Internal Audit Review carried out by Officers. Councillor Kitkat expressed his wish to be involved with the Review. Councillor Oxley responded that he would liaise with his absent colleagues before providing a nomination.

90. PART TWO MINUTES- EXEMPT CATEGORY 3

90.1. **RESOLVED-** That the non-public minutes of the meeting on 30 March 2010 be approved and signed as the correct record.

91. CORPORATE RISK MANAGEMENT ACTION PLAN FOCUS - COUNCIL HOUSING STOCK CONDITION- EXEMPT CATEGORY 3

The meeting concluded at 5.48pm

Signed

Chair

Dated this

day of

Audit Progress Report

June 2010

Brighton and Hove City Council

Audit 2009/10

Date

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Introduction

- 1 My responsibilities are governed by the Audit Commission Code of Audit Practice for Local Government bodies. It determines the nature, level and scope of the work carried out by appointed auditors and underpins all our activities.
- 2 Under the Code I am required to audit the financial statements and to give my opinion on:
 - whether they give a true and fair view of the financial position of the Council and of its income and expenditure for the year in question; and
 - whether they have been prepared properly following relevant legislation and applicable accounting standards.
- 3 I am also required to review whether the Annual Governance Statement (AGS) has been presented in accordance with relevant requirements (the Local Government framework developed by CIPFA in conjunction with the Society of Local Authority Chief Executives (SOLACE): the CIPFA/SOLACE framework).
- 4 The Code also requires me to issue a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources. The Audit Commission has developed criteria for auditors to apply in reaching the value for money conclusion which are closely aligned to the Use of Resources framework.
- 5 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as the Council's external auditor.

2009/10 Audit

- 6 I sent a letter setting out the audit fee for 2009/10 to the Council's Chief Executive in April 2009. It was submitted to this committee in May 2009. The letter set out the main risk areas and the work which was proposed to mitigate each one.
- 7 I have now prepared an Audit Opinion Plan that is on the agenda of this meeting. This updates the committee on the steps taken to consider the main risk areas and further work proposed. It also sets out weaknesses in internal control identified from testing undertaken on key controls on material financial systems.
- 8 My detailed work on the financial statements will start in July 2010 and I will present my findings in an Annual Governance Report to the September meeting of this committee.

Use of resources assessment and value for money conclusion

- 9 I fed back my findings on the use of resources assessment to management on 22 April 2010.

- 10 However the change in government has resulted in Comprehensive Area Assessment (CAA) work being stopped immediately. This means that no further work will be undertaken on the use of resources assessment. On 29 May 2010 the Audit Commission's Managing Director, Local Government, Housing and Community Safety sent a letter to inform the Chief Executive of the position. A copy of this letter is attached as Appendix 1.
- 11 The findings from work undertaken earlier in the year will be used to support my value for money conclusion which I will still give with the audit opinion on the financial statements.

Other risk related work in 2009/10

- 12 My 2009/10 audit plan identified a number of risk areas. See Appendix 2 for details of work carried out and findings.

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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For further information on the work of the Commission please contact:

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Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk

Appendix 1 – Letter on CAA and use of resources assessment

28 May 2010

Chief Executives
All English Single Tier and County Councils

Direct line
Email

0844 798 2467
g-davies@audit-
commission.gov.uk

Dear Colleague,

I am writing on behalf of the CAA inspectorates to let you know how we propose to bring work on CAA to a conclusion in the light of the new government's recent announcement.

All work on updating the area assessment and organisational assessment will cease with immediate effect. These assessments on the Oneplace website will not now be updated. We will not be reporting new red or green flags in the area assessment nor updating the text around existing flags.

We will not be issuing new scores for the use of resources assessments, the managing performance assessments or the overall organisational assessments.

Ofsted has a statutory obligation to carry out an annual assessment of children's services. Pending any further decisions Ofsted will continue with the children's services assessment for 2010.

The Care Quality Commission is currently considering the implications of the ending of CAA for its assessment of adult social care with the Department of Health. They will also discuss the matter with the Association of Directors of Adult Social Services and communicate with councils as soon as this is finalised.

Your appointed auditor will continue to deliver the audit in line with the statutory Code of Audit Practice under which they are required to give a value for money conclusion alongside their opinion on the financial statements. Auditors will need to complete such work as they consider necessary to enable them to give this conclusion, but in practice we envisage they will be able to discharge this responsibility using work completed to date for the use of resources assessment. Your auditor will report any significant findings in the annual audit letter but will not be reporting a score for the use of resources.

Appendix 1 – Letter on CAA and use of resources assessment

We have already announced that we are reviewing the approach that auditors will take in future to the value for money conclusion from 2010/11.

We are in discussions with the government, the LGA and other representative bodies about the future approach to inspection. In the meantime, the Audit Commission will continue with the limited programme of risk-based inspections currently underway. Other inspectorates will continue with their standalone inspection programmes. We will inform you of any developments in our approach as soon as they have been agreed.

Your CAA Lead and appointed auditor will of course be available to discuss the practical implications of these changes. You can also phone our helpline on 08450 522616. I would like to thank you for your cooperation with our staff over the short life of CAA. We will of course consult you about the future approach to audit and inspection.

Yours sincerely,

Gareth Davies
Managing Director, Local Government, Housing & Community Safety
Audit Commission

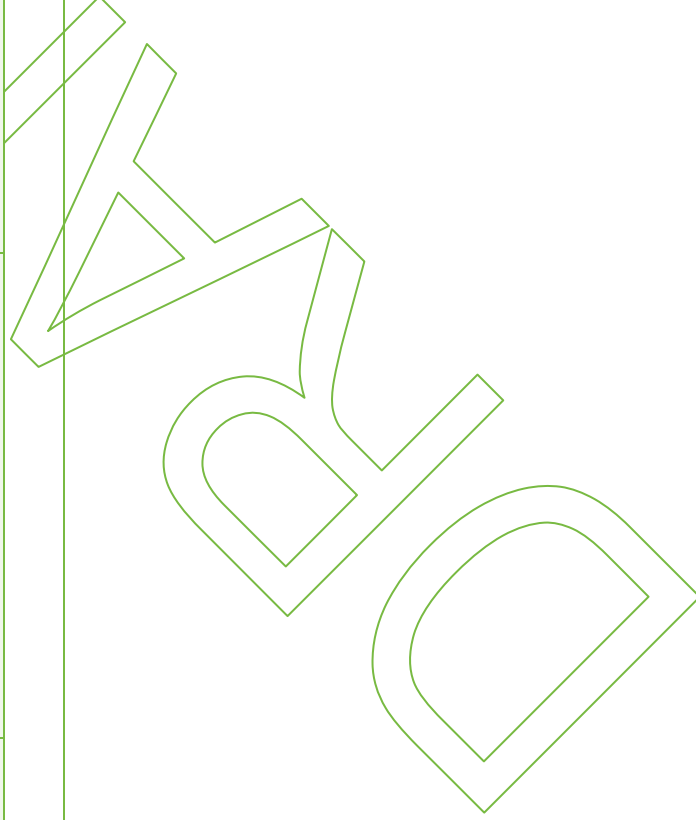
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Appendix 2 – 2009/10 Audit Risk Areas

Risk Area Identified	Planned Work	Progress	Outcome
<p>The Council is to let a long-term contract for capital works and the repairs and maintenance of its housing stock in early 2009/10. Significant savings are expected through this approach. In order to achieve these, the contract must be soundly based and contract management arrangements effective.</p>	<p>I will review the contract arrangements to establish the reasonableness of the savings proposed, how the savings expected are reflected in the longer-term financial plans for the housing revenue account and the effectiveness of the proposed management of the contracts.</p>	<p>The fieldwork on this project is complete and a draft report is being discussed with officers.</p>	<p>I will submit the report to the September 2010 meeting of this committee.</p>
<p>The Council's proposed participation in a company that will manage about 500 of its housing properties as a means of improving their condition is innovative. However, it requires appropriate arrangements to be established to safeguard the Council's assets and to ensure the company achieves the improvements required.</p>	<p>I will review the Council's arrangements at key stages and comment as necessary.</p>	<p>The Council has approved the adoption of the general consents route to lease up to 499 empty properties over 5 years to the local delivery vehicle.</p>	<p>The arrangement will not affect my audit opinion for 2009/10. Progress with the LDV is being considered as part of my review of the contract arrangements for capital works and repairs and maintenance of housing stock.</p>

Appendix 2 – 2009/10 Audit Risk Areas

Risk Area Identified	Planned Work	Progress	Outcome
<p>The waste management PFI in partnership with East Sussex County Council is a high profile arrangement. Effective management of the contract with the service provider is essential. Failure to manage the contract effectively could be costly to the Council.</p>	<p>We will undertake a high level overview of the Council's approach in order to ensure the arrangements in place ensure that the Council achieves value for money. This builds on our work at previous audits.</p>	<p>My team has attended meetings with officers from the Council and from East Sussex County Council to discuss arrangements. I am also taking advice from PFI technical specialists from our central technical unit.</p>	<p>I will continue to discuss issues with officers. This will include accounting arrangements as the early introduction of a International Financial Reporting Standard in 2009/10 will affect the valuation and accounting entries for this PFI.</p>





**Brighton & Hove
City Council**

AUDIT COMMITTEE

ANNUAL REPORT

**2009/10
(Draft)**

**Councillor L. Hamilton, Chair
Councillor D. Watkins, Deputy Chair**

Forward by the Chair of the Audit Committee



This is my second year as Chair and I am pleased to present the Audit Committee's Annual Report for 2009/10, to both the Committee and to full Council. The report shows how the Audit Committee has successfully achieved its objectives contained in its terms of reference, developed its role and continued to make a positive contribution to the council's governance and control environment.

The council achieved a commendable 3 out of 4 on the new, tougher, Use of Resources Assessment. The Audit Committee plays a significant role in relation to the assessment, firstly its own arrangements complying with good practice and secondly overseeing many of the arrangements that are reflected in the assessment.

The next few years will be significant in terms of financial pressures on our services. How we therefore use the resources available will become even more important and how we risk manage our priorities, partnerships and services will be crucial. We will need to ensure a robust governance and control framework and increasingly vigilant to the risk of fraud.

I would like to take the opportunity to thank both the committee members and the officer's that support the committee's work. I would also like to thank the Audit Commission for their support and regular attendance at meetings.

During the year officers have presented professional reports, taking on board comments, suggestions and ensuring improvements have been made.

I have enjoyed leading the committee and working with officers to further enhance the council's governance arrangements.

Introduction

1. The Audit Committee (the Committee), is in its third year, succeeding the Audit Panel. The Audit Committee's activities during the year built on the positive contribution from previous years to the improvement of governance arrangements across the council.
2. The Committee's role is principally to underpin the Council's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control (including internal audit External audit and counter fraud) and financial reporting frameworks (Appendix 1: Terms of Reference).
3. This is the first annual report from the council's Audit Committee. It is produced in accordance with latest best practice¹ and details the work and outcomes of the Audit Committee in 2009/10 and that the council is committed to working as an exemplar organisation, operating to the highest standards of governance.

Audit Committee Members

4. There have been 5 meetings during 2009/10 and these are shown in the Summary of the Audit Committee Work Programme at Appendix B. The number of meetings is aligned to the business needs of the council.
5. The Audit Committee consists of 10 Members and detailed in Table 1 below. During the year, Councillor Taylor replaced Councillor Randall. In addition nominated substitutes attended as required.

Table 1: Members of the Audit Committee

Member	Role
Councillor Les Hamilton	Chair
Councillor David Watkins	Vice Chair
Councillor Jason Kitkat	Member
Councillor Brian Oxley	Member
Councillor Fallon-Khan	Member
Councillor Randall (Part Year)	Member
Councillor Taylor (Part Year)	Member
Councillor Smith	Member
Councillor G. Theobald	Member
Councillor Simpson	Member
Councillor Alford	Member

¹ Best practice as contained in the CIPFA Publication, "A Toolkit for Local Authority Audit Committees"

Training & Development

6. In order to be effective, it is recognised that members of the Committee should have a clear understanding of their role, internal control and governance issues, internal and external audit, risk and opportunity management and how the arrangements in place across the council operate.
7. In June 2009, an internal training workshop was provided to Members by the then Interim Director of Finance & Resources and Head of Audit & Business. This has been further supplemented by briefings on specific issues, functions and responsibilities of the Audit Committee

Core Activities 2009/10

8. The Audit Committee's terms of reference contains a number of functional responsibilities and these have been interpreted into seven core activity areas. The Audit Committee's work and outcomes in each of these areas are summarised in the following sub sections:

Internal Audit

9. Internal Audit is a key source of assurance for both officers and Members on the effectiveness of the control environment and governance. The Audit Committee has responsibility for ensuring that Internal Audit is effective in the provision of that assurance. The Audit Committee has:
 - Approved the Internal Audit Strategy and Annual Plan
 - Considered regular progress reports from the Head of Audit & Business Risk highlighting internal audit work completed in particular audit reviews, internal audit performance against key indicators and any significant issues
 - Considered the Head of Audit & Business Risk's Annual Report and opinion on the council's governance and internal control environment
 - Considered the statutory review of the effectiveness of the system of internal audit that included members involvement providing independent challenge and gaining greater understanding of internal audit
 - Ensured the internal audit and external audit plans were complementary and provided optimum use of the total audit resource
 - Continue to provide support to the Internal Audit service to ensure management is responsive to recommendations made and agreed
 - Referred items of concern to Cabinet Leads and Scrutiny as applicable

External Audit

10. The Audit Committee:

- Considered the Audit Commission's Annual Audit & Inspection Plan
- Considered progress reports against the plan
- Considered the outcome of the Comprehensive Area Assessment in particular Use of Resources
- Considered Fees Letters
- Considered Annual Audit Letter
- Received presentation on the Role of the Audit Commission
- Considered individual reports from reviews carried out, namely Review of Internal Audit and Good Governance

Risk and Opportunity Management

11. The Audit Committee:

- Received and considered Risk and Opportunity Corporate Register Updates
- Considered and maintains the Risk and Opportunity Strategy
- Considers outcome of the Risk and Opportunity Management Programme
- Received and considers individual risk maps on corporate risks

Internal Control and Governance

12. The Audit Committee:

- Agreed the council's Annual Governance Statement and actions plans for improvements
- Reviewed and provided letter to external audit on providing assurance from those charged with governance

13. The Annual Governance Statement is a key document which summarises the council's governance arrangements and the effectiveness of these during the year.

Counter Fraud

14. The Audit Committee:

- Considered outcome and savings from the National Fraud Initiative (NFI)
- Considered and supported changes to the Counter Fraud Strategy
- Considered the outcome of counter fraud activity as part of the Head of Audit & Business Risk's Annual Report

Financial

15. The Audit Committee:

- Agreed the Annual Statement of Accounts
- Received and considered the external auditor's report on the accounts and council's responses to comments
- Received periodic reports on the council's budget performance (TBM)

Other Activities

16. The Audit Committee:

- Considered the effectiveness of ICT Business Continuity
- Considered reports on Treasury Management Policy Update and Annual Investment Strategy

Looking Forward

17. We want to continue to develop our role and build on our current status. For 2010/11 we will:

- Continue to review all governance arrangements to ensure they are robust with focus on the continued transformation of the council, new operating model and financial pressures in particular relating to the continued transformation of the council and financial pressures
- Continue to support and embed the role of risk and opportunity management
- Continue to support the work of Internal and External Audit and ensure appropriate management actions to recommendations made
- Ensure the council maintains and further improves the standards in relation to the production of accounts
- Closely monitor the implementation of the International Reporting Standards
- Continue to help the council to manage the risk of fraud and corruption, in particular by taking proactive measures
- Equip existing and new Members to fulfil responsibilities by providing training, briefings and good practice guidance

Audit Committee Terms of Reference

Explanatory Note

The Audit Committee oversees the Council's arrangements for the discharge of its functions in connection with finance, risk management and audit arrangements. It makes recommendations to the Council, the Cabinet, officers or other relevant body within the Council.

Functions

To carry out independent scrutiny and examination of the Council's financial and non-financial processes, procedures and practices to the extent that they affect the Council's exposure to risk and weakness in the control environment with a view to :

- Providing independent assurance of the adequacy of the risk management and associated control environment;
- Providing assurance on the adequacy of the Council's audit arrangements ;
- Securing robust performance and risk management arrangements; and
- Making recommendations to the Cabinet, Council or Directors as appropriate
- To consider the Council's risk management arrangements and make recommendations to the Cabinet, Council or its Committees.

(Source: B&HCC Constitution 2008)

Appendix 2

Summary of the Audit Committee Work Programme 2009/10

Meeting Date	Report	Area
19 th May 2009	Audit Commission Progress Report	External Audit
	Annual Audit & Inspection Fees Letters	External Audit
	Assurances from those charged with governance	Internal Control & Governance
	Annual Internal Audit Strategy & Annual Plan 2009/10	Internal Audit
	Review of the Effectiveness of the System of Internal Audit	Internal Audit
	Risk and Opportunity Management Update – Corporate Risk Register 2009/10	Risk Management
30 th June 2009	Audit Commission Progress Report	External Audit
	Supplementary Fee Letter 2008/09	External Audit
	ICT – Business Continuity	Other Activities
	Targeted Budget Management Provisional Out Turn 2008/09	Financial Management
	Statement of Accounts 2008/09	Financial Management
	Annual Governance Statement 2008/09	Internal Control and Governance
	Assurances from those charged with governance	Internal Control and Governance
	Outcome of the Risk and Opportunity Management Programme 2008/09	Risk Management
Part 2	Review of Corporate Risk Management Action Plans (MAPs) 2009/10	Risk Management
29 th September 2009	Audit & Business Risk Annual Report and Opinion 2008/09	Internal Audit
	Audit Committee Work Programme	Internal Control & Governance
	Audit Commission: Annual Governance Report 2008/09	External Audit
	Audit Commission: Health Inequalities Assessment Report	External Audit
	Targeted Budget Management (TBM) Month 4	Financial Management
	Audit & Business Risk Progress Report	Internal Audit
	Risk & opportunity Management Update	Risk Management
	ICT Risks – Business Continuity	Other Activities
Part 2	Corporate Risk Management Action Plan Focus	Risk Management
15 th December 2009	Treasury Management Policy Statement 2009/10 (including Annual Investment Strategy 2009/10)	Other Activities
	Audit Commission Update and Audit & Inspection Plan	External Audit
	Good Governance Report	External Audit
	Review of Internal Audit	External Audit
	Annual Audit Letter	External Audit
	Audit & Business Risk Progress Report	Internal Audit
	Annual Governance Statement 2008/09 – Action Plan Update	Internal Control and Governance
	Targeted Budget Management (TBM) Month 6	Financial Management

Meeting Date	Report	Area
Part 2	Corporate Risk and Opportunity Register Update	Risk Management
	Corporate Risk Management Action Plan Focus	Risk Management
30 th March 2010	Treasury Management Policy Statement	Other Activities
	Annual Investment Strategy 2010-11	Other Activities
	Comprehensive Area Assessment	External Audit
	The Role of the Audit Commission	External Audit
	Audit Progress Report	External Audit
	Certification Claims and Returns Annual Report	External Audit
	Fees Letter	External Audit
	Targeted Budget Management (TBM) Month 9	Financial
	Risk and Opportunity Management Update	Risk Management
Part 2	Corporate Risk and Opportunity Register Update	Risk Management
	National Fraud Initiative 2008/09 Outcomes	Counter Fraud

Subject: Statement of Accounts 2009/10
Date of Meeting: 29 June 2010
Report of: Director of Finance & Resources
Contact Officer: Name: Jane Strudwick Tel: 29-1255
E-mail: jane.strudwick@brighton-hove.gov.uk
Wards Affected: All

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT

- 1.1 Under the Accounts and Audit Regulations 2003, the council's Statement of Accounts for 2009/10 must be approved by Members by the 30 June 2010. Under Brighton & Hove City Council's constitution, the Audit Committee is charged with this responsibility.
- 1.2 The report presents the Statement of Accounts for 2009/10. Copies of the Statement of Accounts are available in the Members' rooms. At this stage, the accounts have not been fully audited by the District Auditor. It is expected that the District Auditor will present an Annual Governance Report to the September meeting of this committee on the conclusion of the audit of the 2009/10 financial statements.

2 RECOMMENDATIONS:

The Committee is asked to:

- (1) Approve the Statement of Accounts for 2009/10 and note that these are subject to audit.
- (2) Note that the revenue outturn for the council for 2009/10 was an underspend of £0.235 million and this has been transferred to General Reserves,
- (3) Note that there was a deficit on the Housing Revenue Account for the year of £0.279 million.
- (4) Note the provisions and contingent liabilities included in the accounts.

3 RELEVANT BACKGROUND INFORMATION

- 3.1 The main legislative requirements relating to the preparation, publication and audit of the council's accounts are contained in the Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 made under Section 27 of the 1998 Act.

- 3.2 It is a requirement that the annual accounts should be prepared as soon as practicable after the end of the financial year and considered by a committee or Full Council, and approved by a resolution of that committee, or meeting by the 30 June. The accounts must then be published and signed off by the external auditor as soon as reasonably possible after conclusion of the audit and by the 30 September.

4 ANNUAL GOVERNANCE STATEMENT

- 4.1 The Statement of Accounts includes the Annual Governance Statement. The statement sets out the systems in place to manage the council's risks efficiently, effectively and economically. The Annual Governance Statement includes the findings of the review of the internal control operating in the council. The committee is required to approve the Annual Governance Statement to comply with the Accounts and Audit Regulations 2003. The statement and approval are covered specifically under a separate agenda item.

5 FORMAT OF THE ACCOUNTS

- 5.1 In accordance with the above regulations, the Statement of Accounts includes an explanatory foreword, a statement of accounting policies adopted and a statement of responsibilities together with the core financial statements, supplementary statements and the notes to the accounts.
- 5.2 Local Authority accounts are currently designed to be compliant with Generally Accepted Accounting Principles, known as "UK GAAP", to ensure that, in principle, the accounts are consistent and comparable with accounts across public, private and charity sectors. This is also to aid the consolidation of local authority accounts into "Whole of Government Accounts" which incorporate all public sector organisations.
- 5.3 The committee are advised, however, that the 2010/11 accounts will need to be prepared on an International Accounting Standards basis rather than the UK GAAP standard.
- 5.4 The statement would normally comprise both "Single Entity Accounts", which are in respect of wholly council controlled activities, and "Group Accounts" in respect of activities where the council has a significant interest or share in a subsidiary, associate or joint venture entity. However, there are no other activities requiring the preparation of Group Accounts in 2009/10.
- 5.5 The Single Entity core financial statements included within the Statement of Accounts comprise the following:-
- **Income and Expenditure Account (I&E)** – which is the council's main revenue account covering income and expenditure on all services. This statement is fundamental to the understanding of the council's activities in that it reports the net cost for the year of all the functions for which the council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The services are categorised in line with the Best Value Accounting Code of Practice (BVACOP) issued by CIPFA; this is to ensure consistency in the reporting with other local authorities.

- **Statement of Movement on the General Fund Balance (SMGFB)** – this complex statement immediately follows the Income and Expenditure Account and essentially reverses out entries in the Income and Expenditure Account that, while ensuring compliance with reporting standards (i.e. UK GAAP), are not chargeable within the Council Tax demand. For example, the Income and Expenditure Account includes depreciation charges to recognise the wearing out of assets, however, council's may only take account of the actual cost of servicing borrowing used to finance the acquisition or construction of those assets. Depreciation is therefore reversed out in the Statement of Movement on the General Fund Balance and replaced with the appropriate principal and interest repayments on outstanding debt.
- **Statement of Total Recognised Gains and Losses (STRGL)** – which shows all gains and losses including those not included in the Income and Expenditure Account; for example, revaluations of Fixed Assets and the Pensions Fund. This statement brings these gains and losses together with the surplus or deficit on the Income and Expenditure Account to show the total movement in the council's net worth for the year (Net Worth is explained below).
- **Balance Sheet (BS)** – which sets out the financial position of the council as at 31 March 2010. This statement is fundamental to the understanding of the council's financial position at the year end as it shows the council's balances and reserves, its long term indebtedness and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held. The statement shows the assets and liabilities of the council balanced by its net worth. Net worth is therefore equivalent to assets less liabilities.
- **Cash Flow Statement** - this statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

5.6 The supplementary statements comprise the following:-

- Housing Revenue Account Income and Expenditure Account
- Collection Fund Account
- Section 75 Memorandum Accounts (under the National Health Service Act 2006)
- Trust Fund Accounts

5.7 The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting, a Statement of Recommended Practice (SORP) issued in 2009/10 by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also in accordance with guidance notes issued by CIPFA on the application of the SORP. The Statement of Accounts is intended to give electors, members, employees and other interested parties clear information about the council's finances.

5.8 The purpose of the Statement of Accounts is to provide information to a whole range of stakeholders and the general public and provide answers to basic questions such as:

- What did the council's services and capital programme cost in 2009/10?
- Where did the money come from?
- What does the council own?
- What commitments does the council have and what provisions and reserves has the council set against these?
- What amounts were due and what was owed at the end of the financial year?

5.9 By complying with the Code of Practice, the council has followed a consistent basis of accounting that narrows the areas of difference and variety in accounting treatment, which then enables more meaningful comparison with the published accounts of other local authorities. Unfortunately, adhering to the Code means that there is limited opportunity to make the accounts particularly "user friendly" to members, stakeholders and the general public. Therefore, wherever possible, notes to the accounting statements have been written in plain English but in certain cases it has not been possible to avoid technical terms. A glossary has been included at the back of the Statement of Accounts. Key information in relation to council finances is also communicated through other publications including the Council Tax Leaflet, Summary Accounts and the Annual Report, which attempt to present information in a more user-friendly way.

5.10 The District Auditor is currently working on the audit of the accounts and will be reporting their findings to this Committee in September 2010 through the Annual Governance Report. Following this report, the District Auditor will be able to issue their audit opinion and the accounts will be published.

5.11 As the accounts have not been fully audited by the District Auditor, it is possible that some changes will be incorporated prior to the issuing of the audit opinion. It is a statutory requirement that any material changes must be reported to Members.

5.12 In addition to publishing the Statement of Accounts, the council will produce an annual report including summary accounts as has been the case in previous years.

6 CHANGES TO ACCOUNTING STANDARDS

6.1 The council adopted the following changes to accounting policies for the 2009/10 accounting period as required by the changes to the reporting standards:

- The accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on the UK accounting standard FRS 5 but on International Financial Reporting Standards (IFRS). The requirements are based on IFRIC 12 Service Concession Arrangements and apply to PFI and similar contracts entered into from 1 April 2009 and contracts existing at 31 March 2009. PFI properties used to deliver the PFI services which are currently 'off Balance Sheet' are required, in this council's case, to be recognised on the Balance

Sheet along with a liability for the financing provided by the PFI operator.

- The accounting treatment for local taxes (i.e. National Non Domestic Rates and Council Tax) has changed. In relation to council tax, the treatment under the 2008 SORP required all council tax debtors to be included in the billing authority's Balance Sheet; however this treatment did not comply with UK Generally Accepted Accounting Practices (GAAP). The new requirements are that as the billing authority acts as an agent of the major preceptors only the billing authority's share of income and expenditure from the collection fund is be accounted for in its Balance Sheet. In relation to National Non-Domestic Rates (NNDR), the 2009 SORP confirms that the collection of NNDR is carried out by authorities as an agent activity on behalf of central government. NNDR taxpayers' debtor and creditor balances and impairment allowance for doubtful debts are not Balance Sheet items of the billing authority since it acts as an agent of the Government when collecting NNDR and therefore should not be recognised as such. Instead a creditor or debtor for cash collected from NNDR debtors, as agent of the Government, but not paid to or overpaid to the Government should be recognised at the Balance Sheet date.
- A new legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees is in the note accompanying the statement of accounts.

6.2 Other changes made in 2009/10 include:

- The following disclosure notes have been removed as a requirement of the 2009 SORP :
 - Section 137 expenditure (Discretionary Expenditure)
 - Income under the Local Authorities Good and Services Act
- Under the Accounts & Audit Regulations, 'present fairly' has been replaced by 'true and fair view'.
- Long term liabilities due to be settled within 12 months after the Balance Sheet date are now presented in current liabilities.

6.3 None of the changes described above affect the Council Tax Requirement or level of General Fund balances.

7 TARGETED BUDGET MANAGEMENT (TBM)

7.1 During 2009/10, Cabinet received regular Targeted Budget Management (TBM) reports in respect of the council's expenditure against the Budget. A revenue outturn report was taken to Cabinet on 17 June 2010 showing a provisional underspend of £0.235 million. This is a small improvement from the position at Month 9 TBM report which showed a forecast overspend for the year of £0.066m in respect of the council's General Fund (£0.6 million overspend including the projection on NHS Trust managed S75 services). The revenue outturn report of 17 June 2010 contains full details.

7.2 The forecast overspend reported at Month 9 TBM of £0.6 million was taken into consideration in setting the 2010/11 budget and council tax.

7.3 The Director of Finance & Resources is required to keep under review the level of balances, provisions and reserves maintained by the council. The following transfers to reserves / provisions totalling £0.403 million were recommended to Cabinet and approved at the Cabinet meeting on 17 June 2010:

- i) A contribution of £0.108 million to a new Connexions/Prospects Pension Reserve Account in respect of a commitment made by the council to contribute a one-third share to fully fund the past service liabilities of Sussex Careers staff that have elected to transfer their pension benefits to Prospects. The actual cost to the council is not yet known although initial estimates suggested that the cost to the Connexions service would be in the region of £0.200 million. The Authority is currently awaiting information from the London Pension Fund in order to progress this issue
- ii) A sum of £0.220 million has been set aside in respect of the possibility of legal action for the recovery of personal search fees in relation to local land charges. The impact that the Environmental Information Regulations has on the ability of the service to charge for disclosure of certain pieces of information is still being assessed.
- vii) A contribution of £0.075million to fund one-off costs associated with the maintenance and upkeep of cemeteries.

The net provisional outturn of £0.235 million includes these transfers to reserves / provisions.

7.4 The level of General Reserves at 31 March 2010 after the transfer of the £0.235 million 2009/10 underspend is £0.205 million.

7.6 Quarterly capital monitoring reports were also considered by Cabinet in 2009/10. The provisional capital outturn reported to Cabinet on 17 June 2010 showed capital spending for the year of £68.993 million which was within budget. The council endeavours to deliver its capital programme on time (i.e. avoid "slippage") and as such monitors against a challenging target of spending at least 95% (i.e. maintain slippage below 5%) of the approved capital programme each year. Total outturn slippage amounted to £3.858 million of which £0.749 million is devolved to schools leaving a net balance of £3.109 million, or 4.30% of the amended budget. No resources have been lost as a result of this slippage.

8 COMMENTARY ON THE STATEMENT OF ACCOUNTS

8.1 Income and Expenditure Account (I&E)

8.1.1 The General Fund balance as at 31 March 2010 remains at £9.0 million, which represents the working balance of the council and is deemed appropriate by the council's Chief Finance Officer. In addition there are General Reserves of £0.205 million and other specific reserves of £0.080 million. There are also earmarked reserves of £52.094 million as detailed in paragraph 8.3.7 below.

8.1.2 Dedicated Schools Grant

The Dedicated Schools Grant (DSG) was introduced in 2006/07. The DSG is only used to provide education to the pupils of schools and is not used for any

other purpose. There is an underspend of £2.142 million on the use of the Dedicated Schools Grant in 2009/10; this underspend has been carried forward to 2010/11 and is shown within Creditors in the council's Balance Sheet.

8.1.3 Section 75 Health & Social Care Partnerships

Under Section 75 of the Health Act 2006, NHS bodies and local authorities can form partnership arrangements for lead commissioning, integrated provision of services and pooled budgets. Where pooled budgets are in operation and a partner is identified as the lead commissioner and/or provider, that partner is required to disclose Memorandum Accounts in respect of pooled budget activity. Brighton & Hove City Council is the lead commissioner/provider for two services as follows:

- i) From 1 April 2006 the arrangements for learning disability services were amended with the council, from this point, acting as the Lead Commissioner and the Lead Provider of these services.
- ii) From 1 October 2006 the City Council, the PCT and South Downs Health NHS Trust (SDHT) established a partnership to commission and provide services for children and young people and improve their wellbeing. The council is the lead commissioner and lead provider of services. The council's contribution is shown in the Income and Expenditure Account under Children's and Education Services. The Children & Young People Trust (CYPT) did not pool budgets until 1 April 2007.

8.2 **Housing Revenue Account (HRA)**

8.2.1 This account reflects the statutory requirement to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure – maintenance, administration, and capital financing costs - and how these are met by rents, subsidy and other income.

8.2.2 The 2009/10 outturn for the HRA shows a net deficit of £0.279 million. The HRA reserves now stand at £3.623 million, which is higher than the £2 million, minimum recommended balance. Part of the higher balance is due to sums earmarked as revenue contributions to the capital programme not being needed in 2009/10, these contributions will now be made in future periods.

8.3 **Balance Sheet (BS)**

8.3.1 This statement is particularly technical, which is unavoidable given the requirement to observe the Code of Practice and the complex capital accounting, financial instrument and pension reporting standards. There are explanatory notes to the Balance Sheet in the Statement of Accounts.

8.3.2 Fixed Assets

Total fixed assets have increased from £1,897.128 million as at 31 March 2009 to £2,047.475 million as at 31 March 2010. The level of fixed assets held at 31 March 2009 has been adjusted by £91.934 million from that presented in the 2009/10 accounts in respect of bringing the PFI assets back on to the Balance Sheet. The in year movement in fixed assets are detailed in the notes

to the core financial statements. The movement of £150.347m relates to the following:

- An increase of £57.811 million for additions to fixed assets which reflects the significant capital investments;
- PFI assets brought onto the Balance Sheet in year to the value of £6.825 million;
- Fixed asset revaluations of £61.410 million;
- Impairment of fixed assets of £22.982 million;
- Partial recovery of the value of council dwellings leading to a partial reversal of the 2008/09 impairment totalling £90.359 million;
- Disposal of fixed assets of £1.119 million;
- Depreciation charges of £41.741 million.

Gains and losses on the disposal of fixed assets are charged to the Income & Expenditure Account but then reversed back out through the Statement of Movement on the General Fund Balance to ensure they do not impact on the Council Tax demand. However, the cost of disposal remains as a charge to revenue.

8.3.3 Private Finance Initiative (PFI)

In 2009/10 the council adopted International Financial Reporting Standards (IFRS) for the PFI contracts. The council was required to assess each PFI contract against two key tests:

- does the council control or regulate the services the PFI contractor provides, to whom it provides them to, the price payable and the location
- does the council control, through ownership, beneficial entitlement or otherwise, any significant residual interest in the assets at the end of the PFI contract

The outcome of the assessment confirmed that for each PFI contract the council should recognise both the asset (i.e. buildings, furniture & equipment) and the liability (i.e. the amount due to the PFI contractor for the provision of new assets) on its Balance Sheet. The changes required include:

- (a) the recognition of assets transferred to the PFI contractor under the PFI contract at the time the contract was entered into;
- (b) the recognition at cost of any new assets acquired or constructed by the PFI contractor under the PFI contracts;
- (c) the liability created by the PFI contract being the amounts due from the council to the PFI contractor for new assets;
- (d) the de-recognition of certain assets (such as the deferred consideration account) that are no longer appropriate under IFRS.

The adoption of IFRS in relation to PFIs has led to the inclusion of fixed assets in the council's Balance Sheet to the value of £97.607m in 2009/10.

8.3.4 Borrowing

In accordance with the CIPFA Code on Treasury Management, the management of the council's borrowing portfolio is based on a consolidated

approach and not by individual services. The level of borrowing has increased in the year by £8.601 million.

Gross long-term borrowing within the year totalled £15 million and has been applied to part fund capital payments and to fund short term borrowing requirements. The continuation of the debt repayment programme from 2008/09 resulted in a repayment of long term borrowing totalling £30.150m funded from a reduction in external investments.

Net short-term borrowing raised in the year totalled £24.700m and has been applied to fund short-term cash requirements.

The level of debt attributable to council services totals £208.095m as at 31 March 2010 (£199.494m 31 March 2009).

8.3.5 Government Grants Deferred (GGD)

GGD represents grants and external contributions that have been used to finance expenditure on the council's fixed assets. As the value of the asset is reduced by depreciation, so the value of the GGD account is reduced to offset the depreciation charged. GGD increased from £79.683 million at 31 March 2009 to £103.080 million at 31 March 2010.

8.3.6 Revaluation Reserve

This represents any upward revaluations of assets in accordance with the Code of Practice. Any impairment of assets is also reflected in this account only to the extent that it can be offset against previous upward revaluation of the asset. Any excess impairment is charged to the Income and Expenditure Account. The reserve stands at £230.185 million as at 31 March 2010.

8.3.7 Earmarked Reserves

These represent funding that has been set aside for a specific purpose. The balance of £58.632 million at 31 March 2009 decreased to £52.094 million at 31 March 2010. Details of Earmarked Reserves held can be found in the notes to the core financial statements.

8.3.8 Schools' balances

Schools' balances have decreased by £0.095 million from £2.662 million at 31 March 2009 to £2.567 million at 31 March 2010. All schools have the right to carry forward surpluses and overspends, within agreed limits, which will be added to, or taken from their school budget share. The £2.567 million balance includes phases as follows: - primary schools £1.873 million, secondary schools £0.773 million, special schools -£0.113 million and nursery schools £0.034 million.

There is an overall decrease in carry forwards; however, the split across phases shows variations as follows: - primary schools increased by £0.337m, secondary schools decreased by £0.395m, special schools decreased by £0.065m and nursery schools increased by £0.028m.

In total there are 14 schools (out of 71) with deficit balances (20% of total schools) and the split of these is as follows: - 8 primary schools (15% of primary schools), 3 secondary schools (33% of secondary schools) and 3 special schools (50% of special schools). School budget plans for 2010/11 will

incorporate these overspends and the Council's Schools' Finance team are working closely with schools to identify those who are likely to require licensed deficits (approval to overspend) in the coming year.

8.3.9 Pensions Liability

The pensions liability (net of Pensions Assets) was £138.869 million at 31 March 2009 and it increased by £202.465 million to £341.334 million at 31 March 2010. This liability is offset by a Pensions Reserve.

8.4 **Collection Fund**

8.4.1 In 2009/10 there was an in year £4.822m surplus on the Collection Fund, a movement of £4.984m from 2008/09 which had an in year deficit of £0.162m. The in year surplus of £4.822m relates to a £2.950m contribution towards the previous year's forecast collection fund deficit and an improved position during 2009/10 of £1.872m which mainly related to a higher than anticipated number of new properties being completed in 2009/10.

8.4.2 The change in the accounting treatment of council tax and NNDR has had no presentational impact on the Collection Fund accounts. However, this change in accounting treatment has led to a number of presentational changes in the council's core financial statements.

8.5 **Provisions and Contingent Liabilities**

8.5.1 Provisions have been made in the accounts for liabilities existing at the 31 March 2010 that are reasonably certain and can be estimated with reasonable accuracy. Provisions are included for the following:-

- i) **S117 Mental Health Act 1983** - following a ruling in August 2002, local authorities were unable to charge for accommodation provided under Section 117 of the Mental Health Act 1983. The council, like many other local authorities, had been charging for a long period of time and this provision has been set up to meet the liabilities of the repayment of these charges.
- ii) **Maintenance of Graves** - this provision relates to sums donated by members of the public to care for and maintain graves in perpetuity.
- iii) **Single Status Liability Provision** - In March 2009 the council made proactive offers to groups of staff in relation to potential equal pay back pay liabilities and in January 2010 the council implemented the outcome of a Pay & Grading review. The provision relates to potential outstanding liabilities that the council is very likely to incur in relation to these matters. To help establish the potential liability, a legal review was conducted of all outstanding Employment Tribunal and internal grievance claims.
- iv) **Land Charges Provision** - this provision relates to the potential liability generated by challenges to the legal interpretation of the Environment Information Regulations 2004

8.5.2 Contingent Liabilities are included where there is a possible loss which is not recognised in the accounts because it cannot be accurately estimated or because the event giving rise to the possible loss is not considered sufficiently certain. The majority of these claims are not considered material and will

therefore have no material effect on the council's financial position. Contingent liabilities are included for the following:-

- i) **Equal Pay** – a contingent liability is recognised in respect of equal pay. In March 2009 the council made pro active offers to groups of staff to settle their potential equal pay back pay liability. There may be other potential liabilities relating to equal pay that were outside of the formal settlement offer made by the council. These liabilities could only arise as a result of formal grievance processes and/or employment tribunals and cannot therefore be estimated with any accuracy at the Balance Sheet date.
- ii) **Insurance claims** – a contingent liability is recognised in respect of outstanding and potential insurance claims where it is not possible to accurately estimate the timing or value of claims. However, the council's Insurance Reserve includes cover for potential liabilities based on past experience and professional assessment of current and potential liabilities.
- iii) **Concessionary Bus Fares** - The council has a contingent asset in relation to concessionary bus fares following a successful judicial review which resulted in the fixed determination payment for Brighton & Hove Buses in 2007/08 being quashed. The Department for Transport are re-determining the 2007/08 payment due to Brighton & Hove Buses, subject to the bus companies not being successful in appealing the judicial review outcome, which may produce a payment from Brighton & Hove Buses to the council.
- iv) **Waste PFI contract extension** - The council has a contingent liability in relation to the Waste PFI contract extension. In September 2007 the council extended its Joint Integrated Waste Management Services PFI contract with South Downs Waste Services Limited (Veolia) by 5 years to end in 2033. The council considers that it acted legally and in the interest of council taxpayers. There has been a complaint to the European Commission about compliance with EU procurement rules and as a result the Commission has raised certain issues. The Commission has decided to issue a letter of formal notice to the UK Government setting out its concerns. The UK Government has provided its response to the concerns raised by the Commission. The complaint could take some time to reach a conclusion. It is not possible to assess what the outcome of the complaint will be, nor the financial impact, if any, on the council

9 EVALUATION OF ALTERNATIVE OPTIONS

- 9.1 There is a provision within the Accounts and Audit Regulations 2003 covering the non-approval of the statement of accounts by the 30 June. In such cases, a further meeting of the Audit Committee should be held within 20 working days to consider the annual accounts. Where the meeting does not resolve to approve the accounts, the council is required, as soon as reasonably practicable, to publish a statement as to the reasons why it cannot approve the accounts.

10 REASONS FOR REPORT RECOMMENDATIONS

- 10.1 It is a statutory requirement of the current Accounts and Audit Regulations that the council's 2009/10 Statement of Accounts should be approved by Members by the 30 June 2010.

11 CONSULTATION

- 11.1 The purpose of this report is to present the council's Statement of Accounts for 2009/10. There has been no external consultation. Residents of Brighton & Hove are able to inspect the accounts during the period 28 June 2010 to 23 July 2010.

12 FINANCIAL & OTHER IMPLICATIONS

Financial Implications

- 12.1 Included in the body of the report.

Finance Officer Consulted: Jane Strudwick Date: 15 June 2010

Legal Implications:

- 12.2 The main statutory requirements relating to the Statement of Accounts are summarised in the report, but it is also necessary to note that the Statement of Accounts must be signed and dated by the person presiding at the committee meeting which approves the Statement of Accounts; regulation 10(3)(b) of the Accounts and Audit Regulations 2003 refer..

Lawyer consulted: Oliver Dixon Date: 15 June 2010

Equalities Implications:

- 12.3 There are no equalities implications arising directly from this report. The Statement of Accounts is a statutory publication and is available for the public inspection at the council's main offices and public libraries. Information on the accounts will, as far as possible, be provided in a manner that meets the needs of those requesting information.

- 12.4 An annual report will also be published including summary accounts.

Sustainability Implications:

- 12.5 There are no direct environmental implications arising from this report. However, it is believed that the reputation of the council's framework and its ability to demonstrate sound financial management could have an impact on the willingness of other funding partners to invest in and with the council. This could affect the level of inward investment in respect of projects that contribute towards sustainability.

Crime & Disorder Implications:

- 12.6 There are no direct implications for the prevention of crime and disorder arising from this report.

Risk and Opportunity Management Implications:

- 12.7 There has been no direct risk assessment for this report. However, the management of the closure of the council's accounts and the preparation of

these complex annual accounting statements are subject to full risk assessment and review.

Corporate / Citywide Implications:

- 12.8 Any material changes resulting from the conclusion of the audit will be reported to the Audit Committee. The quality and accuracy of the Statement of Accounts may impact on the council's score under the Comprehensive Area Assessment framework.

SUPPORTING DOCUMENTATION

Appendices

None

Documents in Members' Rooms

1. Statement of Accounts 2009/10

Background Documents

None

AUDIT COMMITTEE

Agenda Item 12

Brighton & Hove City Council

Subject: Annual Governance Statement 2009/10
Date of Meeting: 29th June 2010
Report of: Director of Finance & Resources
Contact Officer: Name: Ian Withers Tel: 29-1323
E-mail: ian.withers@brighton-hove.gov.uk
Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The purpose of this report is to present the council's Annual Governance Statement 2009/10 for consideration and approval.
- 1.2 The Annual Governance Statement, provides a comprehensive assessment of the governance arrangements and the internal control environment across all activities of the council.
- 1.3 Once signed by the Leader and Chief Executive, the Annual Governance Statement will form part of the Statement of Accounts for 2009/0.

2. RECOMMENDATIONS:

The Committee is asked to:

- 2.1 Review the Annual Governance Statement and comment accordingly, in particular actions to address Governance Issues (Section 6).
- 2.2 To approve the Annual Governance Statement for publication with the Statement of Accounts.
- 2.3 To monitor actions for improvements with a further progress report coming to the December meeting.

3. BACKGROUND INFORMATION:

- 3.1 The Accounts and Audit (Amended) Regulations 2006 imposed a statutory requirement on all local authorities to conduct a review of the effectiveness of its governance arrangements and to publish the results in a Annual Governance Statement. The Annual Governance Statement is signed by the Leader and the Chief Executive.
- 3.2 The Annual Governance Statement must be prepared in accordance with the Accounts & Audit Regulations and the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*.

4. REVIEW OF GOVERNANCE ARRANGEMENTS

- 4.1 The annual review of the effectiveness of the council's governance arrangements and preparation of the Annual Governance Statement has been carried out by the Head of Audit & Business Risk.
- 4.2 The council's effectiveness review is overseen by its Officers Governance Board comprising the Director of Strategy & Governance, Director of Finance & Resources, Head of Audit & Business Risk, Head of Legal Services, Head of Analysis and Research and Risk & Opportunity Manager.

5 ANNUAL GOVERNANCE STATEMENT (DRAFT)

- 5.1 The draft Annual Governance Statement for 2009/10 is shown at Appendix 1. It has been prepared generally in line with the CIPFA/SOLACE guidance and comprises the following sections:
- Section 1 – Standards of Governance
 - Section 2 – Scope of Responsibility
 - Section 3 – The Purpose of the Governance Framework
 - Section 4 - The Council's Governance Framework, i.e. description of the systems and processes that the council has in place to ensure good governance
 - Section 5 – Review of Effectiveness, i.e. the results/outcomes of the council's review processes
 - Section 6 – Governance Issues, i.e. details of any significant areas and/or other actions planned to further strengthen governance arrangements
- 5.2 Section 6 is considered to be the key section of the Annual Governance Statement and contains actions to a number of governance issues including two significant ones relating to HR/Payroll and Section 75 (Adults) Agreement with the Sussex Partnership Trust

5.3 Implementation of actions will be monitored by Audit & Business Risk and reported back the Officers' Governance Board and Audit Committee.

6. CONSULTATION

6.1 Internal consultation has been carried out with relevant officers and in particular the Officers Governance Board.

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial

Sound corporate governance and proper systems of internal control are essential to the financial health and reputation of the council. The actions outlined to strengthen the governance arrangements, can be delivered within existing financial resources.

Patrick Rice
Acting Assistant Director Financial Services

17th June 2010

5.2 Legal Implications:

The production of the statement meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2003 (Amended 2006).

Oliver Dixon
Lawyer

16th June 2010

5.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

5.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

5.5 Crime & Disorder Implications:

There no direct implications for the prevention of crime and disorder arising from this report.

5.6 Risk and Opportunity Management Implications:

The preparation of the Annual Governance Statement has been explicitly linked to the risk management framework of the City Council. One of three principles of good governance is "taking informed, transparent decisions and managing risk".

5.7 Corporate / Citywide Implications:

Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

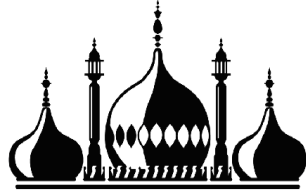
SUPPORTING DOCUMENTATION

Appendices:

1. Annual Governance Statement 2009/10

Background Documents

1. Brighton & Hove City Council's Code of Corporate Governance
2. CIPFA/SOLACE Delivering Good Governance in Local Government – (Framework 2007)
3. Delivering Good Governance in Local Government – Guidance notes for English Authorities (CIPFA/SOLACE 2007)
4. Accounts & Audit Regulations 2003 (Amended 2006)
5. The Annual Governance Statement (CIPFA Finance Advisory Network)



**Brighton & Hove
City Council**

**DRAFT ANNUAL GOVERNANCE
STATEMENT 2009/10**

Draft Annual Governance Statement 2009/10

1. Standards of Governance

Brighton & Hove City Council (the council) expects all of its members, officers and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Constitution, Codes of Conduct and policies of the council as well as the applicable statutory requirements.

The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. A copy of the code is available in the council's constitution and on the council's website www.brighton-hove.gov.uk.

This statement explains how the council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts & Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 (Amendment) (England) in relation to the publication of a statement on internal control.

2. Scope of Responsibility

The council is responsible for ensuring that its business is conducted in accordance with the law and proper practice standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of efficiency, effectiveness and economy.

In discharging this accountability, the council is responsible for putting in place and maintaining, proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The council continues to review its arrangements against best practice and implement changes to improve its governance arrangements.

3. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the council is directed and controlled and its activities through which it is accountable to, engages with, and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

4. The Council's Governance Framework

The governance framework has been in place at the council for the year ended 31st March 2010, up to the date of approval of the Statement of Accounts and accords with proper practice.

The key elements of the systems and processes that comprise the council's governance arrangements are shown below along with explanations of how they are embedded.

Identifying and communicating the council's vision

The council played a leading role in the creation and development of the 2020 Community Partnership, and has developed, together with our partners, an important part of its governance arrangements, Sustainable Community Strategy for the City, "Creating the City of Opportunities". This has recently been refreshed to ensure it reflects changes and maintain effectiveness.

The vision is for Brighton & Hove to be the City of Opportunity. It is a city where opportunities are provided for our residents to improve their lives. It is a place that provides these opportunities in a sustainable and inclusive way that reduces inequality and protects the environment.

The Sustainable Community Strategy sets the direction and policies which other plans should help to deliver and has been agreed by the council and Local Strategic Partnership in consultation with other stakeholders who have an interest in effective public services in the City. It is used as a basis for both corporate and service planning and integrated with the Local Area Agreement, a three year multi-agency delivery plan for the City's priorities.

The Sustainable Community Strategy and Corporate Plan are published on the council's website and copies are available at certain key access points across the City (e.g. libraries).

Reviewing the council's vision and its governance implications

Since the publication of the Sustainable Community Strategy in 2006, the council's governance arrangements have been subject to ongoing review to meet the changing needs of the council. During 2009/10 a 12 month review was carried out on the Council's Constitution and made a number of proposals for amendment.

The Council's Code of Corporate Governance is considered still to be current and complies with the principles and requirements of good governance.

Measuring the council's performance and quality of services ensuring they represent the best use of resources

The council uses a variety of mechanisms within its overall approach to performance management and service improvement to measure quality of service to users, ensuring service delivery is in accordance with its objectives, and for ensuring the best use of resources. These include national and local performance indicators, customer feedback, process analysis and re-engineering, service reviews, integrated financial management, benchmarking and independent audit and inspection.

Performance management processes are embedded throughout the council and regularly reported in accordance with agreed timescales. The performance management framework is based on a hierarchy of indicators, both national and local. Performance data for all national and local indicators is collected and reported to the Chief Officers' Management Team (TMT) and the Executive (Cabinet) on a quarterly basis.

The council's Corporate Plan includes clear performance targets for the next three years. The council's Performance Plan shows the council's performance against targets for the past three years and is available on its website.

At a directorate level, directorate plans form the basis of monitoring. This ensures that performance, budget, risk and project delivery issues are all managed and reported.

Defining roles and responsibilities, delegation and arrangements for effective communication of these

The council has agreed a constitution which sets out how the council operates, member and officers roles, how decisions are made and the processes which are followed to ensure these are efficient, transparent and accountable to the community. Many of these processes are required by statute, while the council has determined

others locally. The Constitution is divided into seventeen articles that set out the basic rules governing the council business.

Under the Constitution the Leader and Cabinet form the decision making Executive. Decisions must be in line with the council's overall policy and budgetary framework approved by the full council for delivering its priorities. Any decisions the Executive wishes to take outside of the framework must be referred to the full council to decide.

There is also an Overview and Scrutiny Commission and five scrutiny committees that support the work of the Executive, through scrutinising decisions made by the Executive and through examining services provided by the council. During 2009/10 an enhanced role for Scrutiny was introduced in the Budget Management process.

The Constitution describes the roles of statutory officers: the Head of Paid Service (Chief Executive), the Monitoring Officer (Director of Strategy & Governance) and Section 151 Officer (Director of Finance & Resources). It also includes the Member and Officer Protocol, which sets out the principles and procedures to guide officers and members.

There is effective corporate and departmental support to members in policy and decision making, with report templates to help ensure members are presented with appropriate information to make decisions including key implications, for example finance, legal, equalities and risk.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and officers

The council has adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers. These are communicated as part of the induction process, ongoing awareness training and made available via the council's intranet. These include codes of conduct covering conflicts of interest and gifts and hospitality.

The Standards Committee role is to promote high standards of conduct and ethical governance as well as investigating complaints regarding members. It considers reports and advice from the Standards Board for England and considers reports from the Monitoring Officer.

Reviewing and updating control framework documentation which clearly define how decisions are taken and the processes and controls required to manage risks

The council's high-level policies and procedures are updated and regularly communicated to officers and members. There are corporate policies on key topics

including Business Planning, Information Security, Freedom of Information Act, Environmental Sustainability, Counter Fraud & Corruption, Equalities & Diversity and Health & Safety.

The Director of Strategy & Governance (the Monitoring Officer) reviews and updates the Constitution which includes standing orders and the scheme of delegation.

The Director of Finance & Resources (the Section 151 Officer) likewise reviews and updates financial regulations and contract standing orders, which form part of the Constitution.

Risk and opportunity management is embedded throughout the council and its partnership working arrangements. The council's Risk and Opportunity Management Strategy was updated during the past year. The strategy explains how the council will manage its risks, and is supported by training and guidance. It is overseen by the Officers' Governance Board and approved by the Executive.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities

The Audit Committee (previously Audit Panel) has been in operation since May 2008 and is now embedded as part of the council's overall governance framework. Its terms of reference incorporate the core functions as identified in the CIPFA guidance. It is responsible for issues relating to the councils system of internal control, risk management, financial reporting and counter fraud as well as providing a forum for reporting and discussion of issues raised by internal and external audit.

Ensuring compliance with established policies, procedures, laws and regulations

All officers have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions are provided to officers as necessary and appropriate induction sessions are carried out for new staff.

The Director of Strategy & Governance (the Monitoring Officer) has overall responsibility for ensuring the council acts lawfully and without maladministration.

The Director of Finance & Resources (as Section 151 Officer) has overall statutory responsibility for the proper administration of the council's financial affairs, including preparation of the Statement of Accounts and making arrangements for the appropriate systems of financial control.

This is supported by a framework of management documents, including financial regulations, contract rules and a scheme of delegation to officers, which collectively

control and co-ordinate the financial affairs of the council. These are all in place and available to staff on the Intranet and in paper format. Induction and ongoing awareness training is provided to staff.

The council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010).

Audit & Business Risk are responsible for conducting audits, using a risk based approach to provide assurance on compliance with council policy, procedures, legal rules and regulations.

Whistleblowing and receiving complaints from the public

The council is committed to the highest possible standards of openness, probity and accountability. The council's Whistleblowing Policy aims to encourage officers, contractors and agency workers to report any instances of unlawful conduct, health and safety risks, damage to the environment, possible fraud and irregularities and unauthorised use of council funds. The Policy is widely published on posters, internal newsletters the councils internet and website, and provides the mechanisms to raise concerns and receive appropriate feedback without the fear of victimisation. All concerns raised under the Whistleblowing Policy are recorded by the Director of Strategy & Governance.

To ensure that concerns or complaints from the public can be raised, the council has a corporate complaints policy which sets out how complaints can be made, what should be expected and how to appeal. The application of the policy is overseen by the council's Standards Committee.

Developing the needs of members and senior officers in relation to their strategic roles

The council maintains the Investors in People (IIP) accreditation (corporate) and is committed to developing the capacity of its officers and members. The council's Performance Development and Planning Scheme aims to identify the learning and development needs of officers and this is supported by the council.

A complete programme of learning and development is available to officers and members from the Learning and Development Team. Where applicable, officers are also expected to undertake continuing professional development (CPD) of their professions. There are corporate induction processes for both members and officers starting with the council.

During the year the Audit Commission reported on their Good Governance Review. The majority of recommendations made have been implemented and the remaining ones are in progress.

The council has a generic programme of training and development for members based in part on a self-assessment of needs against the Improvement and Development Agency (IDeA) Political Skills Framework. There is further more specific training for those with lead roles in, for example, the Executive and Scrutiny functions.

Establishing clear channels of communication with the community and other stakeholders

Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. The council's publication City News is distributed to all residents as well being available on the council's website and at key access points across the City. It includes news and features about the council and its partners that assists in consulting residents on issues facing the city. In addition, the Council Tax leaflet, containing details of the council's budget, is distributed annually with Council Tax bills.

There are a wide range of access channels and opportunities for all parts of the community and key stakeholders to engage in dialogue and consultation. This includes tenants and residents forums through consultation events and surveys.

The council's Corporate Plan, Annual Statement of Accounts and Annual Report are again made available via the council's website and distributed to certain key points across the City, ensuring that residents have numerous access channels.

All meeting agendas and reports for consideration by members are published on the council's website in advance of meetings, which are held in public unless there are good reasons for confidentiality.

During 2009/10 to strengthen local democracy, the Get Involved local democracy and citizens campaign was launched. This was driven by a new legislative requirement to involve the public and promote local democracy.

Incorporating good governance arrangements in respect of partnerships and reflecting these in the authority's overall governance arrangements

The governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report *Governing Partnerships: Bridging the Accountability Gap (2005)*, are defined in the council's Financial Regulations. The council is currently working with significant partnerships for example the Children and Young People's Trust, in terms of helping to achieve its objectives through ensuring appropriate agreements and robust governance arrangement are in place. Regular audit reviews are carried out on the overall governance arrangement within the council's key partnerships.

The City's Local Strategic Partnership (LSP) is managed by a board and the council is the lead agency for the LSP. The council has distributed, a "2020 Community Member Pack" to LSP board members which includes governance responsibilities.

5. Review of Effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Officers, Governance Board oversees the review of effectiveness including monitoring actions arising.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- Review and maintenance of the Constitution by the Monitoring Officer.
- An assessment of the corporate governance arrangements against the CIPFA/SOLACE Framework for Good Governance, which helped develop the council's Code of Corporate Governance.
- The council's internal audit coverage which is planned using a risk based approach and flexible enough to include emerging issues and risks. The Annual Internal Audit Report by the Head of Audit & Business Risk provides an overall opinion on the adequacy of the council's internal control environment and areas of weakness to be addressed
- The assurance of senior managers through the development of corporate and directorate risk registers.
- Findings and comments made by the External Auditors and other review agencies and inspectorates such as the Care Quality Commission and Ofsted.
- The review of performance management and financial reporting.

6. Governance Issues

The annual effectiveness review of governance arrangements referred to in Section 5 identifies a number of issues that require actions for improvement.

In considering the governance issues contained in the Annual Governance Statement for 2008/09, the following enhancements have been achieved during 2009/10:

- Review and update of the Medium Term Financial Strategy

- Developed a programme to ensure the council meets the deadline for producing accounts that are compliant with the International Financial Reporting Standards (IFRS)
- Updated and enhanced the council's Whistleblowing Policy and Process
- Introduced an Annual Report process from the Audit Committee
- Reviewed and updated Section 75 Agreements in relation to Children's Services
- Improved access to tools and training for financial management
- High level business plan and programme in place for the council's Value of Money Programme Phase 2
- Improvements to the scrutiny process including developing required skills of officers and Members and the role of scrutiny in providing proactive review and challenge

In addition to the above, a number of actions referred to in the Annual Governance Statement for 2008/09 for the year 2009/10, remain in progress and are subject to detailed plans. The first two actions have also been raised again in the effectiveness review for 2009/10 and are now considered to be significant

- Improved system processes and controls for HR/Payroll including those associated with the implementation of a new HR/Payroll Computer System, for the effective management of the council's workforce
- Implement a formal Section 75 partnership agreement with the Sussex Partnership Trust (adults) for 2010/11 to mitigate risk to the council and to seek a longer term strategic solution
- Full fraud risk analysis and measurement review
- Review of the role and effectiveness of the Audit Committee in the governance of the council

New actions have been identified to improve the governance arrangements, from the effectiveness review and detailed action plans developed.

In addition there are fundamental changes required to the council's governance framework as a result of expected significant national legislative changes, national and local financial budget constraints and a move to a new operating model for the council. Certain actions have been recognised and included at this stage.

- Refresh of the council's performance management framework
- Review and update the council's constitution and all related documents to reflect planned organisational changes
- Review and implement specific training and learning objectives for officers and Members
- Improvement to procurement and contract management arrangements

All new and actions in progress will be monitored by the Officers' Governance Board and Audit Committee during 2010/11.

We are satisfied that the actions required, when fully completed will address the need for improvements that were identified in the review of effectiveness. We will monitor their implementation and operation as part of the next annual review

Signed

Signed

**John Barradell
Chief Executive**

**Councillor Mary Mears
Leader of the COUNCIL**

Dated:

Dated:

Helen Thompson
District Auditor
Audit Commission,
Suite 2, Ground Floor,
Bicentennial Building,
Southern Gate,
Chichester,
West Sussex
PO19 8EZ

e-mail: Leslie.hamilton@brighton-hove.gov.uk

Dear Helen

Audit of Financial Statements – Compliance with International Auditing Standards

I am writing with reference to your letter to the Audit Committee on 18 May 2010, under the agenda item “Assurances from the Audit Committee as the body charged with Governance”, which sets out relevant assurances from those charged with governance required by external auditors under the International Auditing Standards. These assurances are provided below, representing BHCC’s formal response from those charged with governance, which, for the purposes of the financial statements, is the Audit Committee.

As in previous years, the Audit Committee have considered the nature and extent of any significant internal and external operational, financial, compliance, fraud or other risks facing the council which might have an impact on the financial statements. These risks have been addressed in both the planning process for the audit of the financial statements (where officers and auditors have discussed key risks) and, to the extent that it is necessary, in the production of the financial statements. The process for the production of the Annual Governance Statement should also mean that all key risks which would relate to the financial statements have been considered. Specific assurances are given below.

How those charged with governance including the Audit Committee, exercise oversight of management's processes in relation to:

- **undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud;**

This responsibility is exercised through the effective functioning of the Audit Committee, the constitution and operation of which follows CIPFA guidelines. The CFO and Head of Audit & Business Risk (HABR) attend all meetings of the Audit Committee to discuss and review findings of Internal and External Audit reviews and the level of adequacy of management’s response. The Audit Committee also consider the Annual Governance Statement and the actions taken and proposed in relation to improving governance and controls.

The committee also reviews the Internal Audit Strategy and Annual Plan and is able to comment on areas proposed for review. The council's Corporate Risks are regularly reviewed by the committee and the council's Risk and Opportunity Management Framework ensures that fraud risk would be escalated through to the committee if appropriate. Ad-hoc meetings between the Chair and the HABR and/or CFO also take place where necessary. Roles and responsibilities of members and officers are clearly set out in Codes of Conduct, the Scheme of Delegation, Anti Fraud and Corruption Strategy and in the Risk & Opportunity Management Strategy which also describe the relevant registers, declarations and escalation processes to be complied with. The Audit Committee declares that it has no knowledge of any actual, suspected or alleged fraud that could affect the council in relation to the 2009/10 financial statements.

• identifying and responding to risks of fraud in the organisation;

The council has a Counter Fraud Strategy which is regularly updated and approved by the committee. The committee reviews the Internal Audit Strategy and Annual Plan, which includes the Counter Fraud Work Programme for the year. The Counter Fraud Work Programme is based on a Fraud Risk Assessment for the effective deployment of resources and includes both reactive and proactive work.

The committee receives regular updates on progress against the Counter Fraud Work Programme with any areas of suspected fraud identified, together with any necessary control measures to be implemented to mitigate the risk of further fraud. Updates are also presented on the implementation of the control improvements.

• communication to employees of views on business practice and ethical behavior; and

The council has published a number of documents relating to Codes of Conduct that are made available to all staff during induction and are available on the intranet. Documents include, Use of Your Position, Use of ICT Equipment and Political Neutrality.

How the Audit Committee oversees management processes to identify and respond to possible breaches of internal control.

The annual work programme for Internal Audit is set out in the Internal Audit Strategy and Annual Plan which is approved by the committee each year. The work plan is designed using a risk matrix to ensure all key internal control procedures are reviewed regularly. Any breaches of internal control and the management response, are reported to the committee as part of the regular updates of the Annual Plan.

Whether you have knowledge of any actual, suspected or alleged frauds

I am not aware of any actual, suspected or alleged frauds other than those reported to the committee as part of the regular updates on the Counter Fraud Work Programme.

How you gain assurance that all relevant laws and regulations have been complied with.

The Audit Committee declares that it has no knowledge of and is not on notice of any non-compliance with laws and regulations that could impact on the 2009/10 financial statements

Yours sincerely,

Leslie Hamilton
Chair of the Audit Committee

Audit Opinion Plan

Brighton and Hove City Council
Audit 2009/10

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Status of my reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Introduction

- 1 This plan sets out the audit work that I propose to undertake for the 2009/10 audit of the Council's financial statements. The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:
 - audit work specified by the Audit Commission for 2009/10;
 - current national risks relevant to your local circumstances; and
 - your local risks.

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Responsibilities

- 2 The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to every audited body.
- 3 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end. I undertake my audit work in the context of these responsibilities.
- 4 I comply with the statutory requirements governing my audit work, in particular:
 - the Audit Commission Act 1998; and
 - the Code of Audit Practice.

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Fee for the audit of financial statements

- 5 The indicative fee for the audit is £367,895. The Audit Commission's work programme and fee scales for 2009/10 sets out the details of scale fees. Scale fees are based on several factors, including the type, size and location of the audited body.
- 6 The Audit Commission scale fee for the Council is £367,895. The fee proposed for 2009/10 is therefore at scale fee.
- 7 In setting the fee, I have assumed that:
 - risk for the audit of accounts is consistent with that for 2008/09; and
 - you will provide good quality working papers to support the financial statements.
- 8 Not meeting these assumptions means I need to undertake extra work that is likely to result in an increased audit fee. Where this is the case, I will discuss this first with the Director of Finance and Resources and I will issue supplements to the plan to record any revisions to the risk and the impact on the fee.
- 9 Appendix 1 provides more details on the basis for the fee.

Specific actions Brighton and Hove City Council could take to reduce its audit fees

- 10 The Audit Commission requires its auditors to inform audited bodies of specific actions it could take to reduce its audit fees. As in previous years, I will work with staff to identify any specific actions the Council could take and to provide continuing audit support.
- 11 This year I have looked to integrate my work on controls testing with Internal Audit's work. This should lessen duplication and maximise the efficiency of the audit. This approach has been partially successful. The work produced by Internal Audit was of a satisfactory quality and I can place reliance on it for my audit. The work was, however, not completed by the agreed deadline. This has an impact on my overall project plan for the audit and reduces efficiency. My team will liaise with Internal Audit on how improve this. I will continue to follow this integrated approach to the 2010/11 audit of the financial statements.

Auditors report on the financial statements

- 12 I will carry out the audit of the financial statements under International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).
- 13 I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view of the financial position of the Council as at 31 March 2010.

Identifying opinion audit risks

- 14 As part of my audit risk identification work, I need to understand fully the audited body to identify any risk of material misstatement (whether caused by fraud or error) in the financial statements. I do this by:
 - identifying the business risks facing the Council, including assessing your own risk management arrangements;
 - considering the financial performance of the Council;
 - assessing internal control, including reviewing the control environment, the IT control environment and Internal Audit; and
 - assessing the risk of material misstatement arising from the controls within the Council's information systems.

Identification of specific risks

15 I have considered the risks to the current opinion audit and have set these out below.

Table 1 **Specific risks**
Specific opinion risks identified

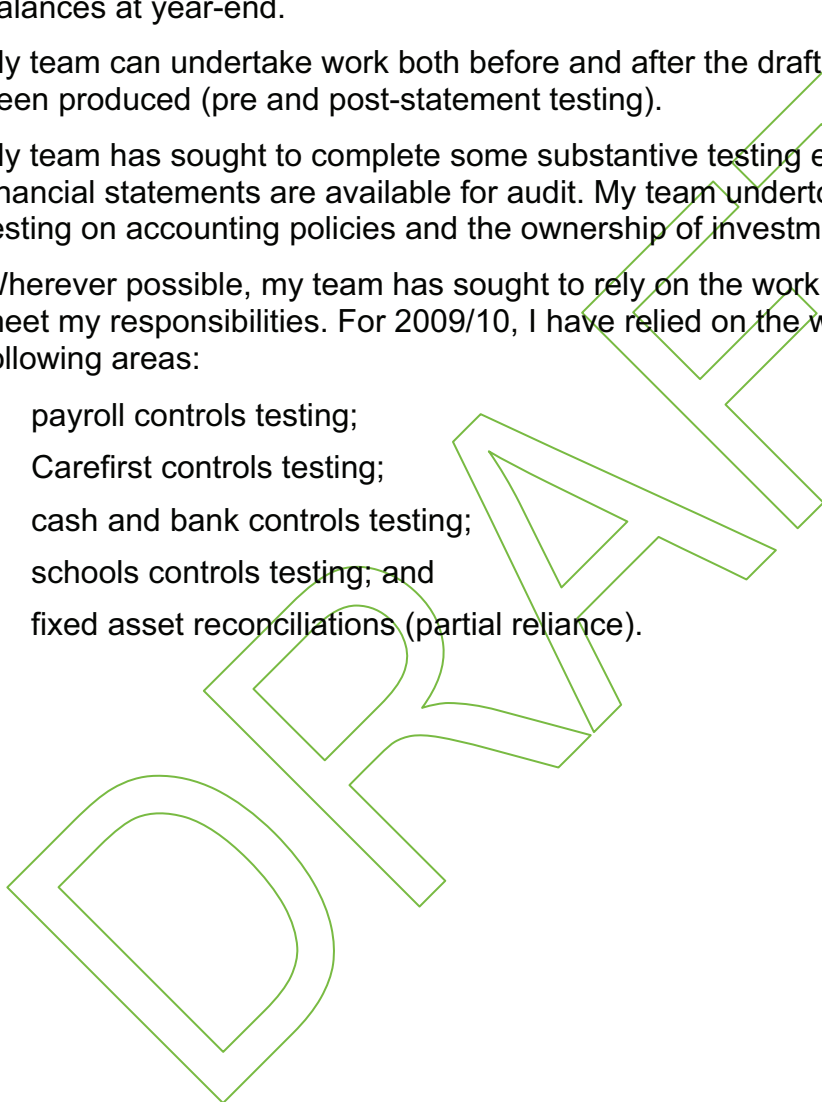
Risk area	Audit response
<p>The system of internal financial control is satisfactory overall. However, my team's work on the Council's main financial systems has identified some areas where there are weaknesses in the design or operation of controls in the systems.</p> <p>Appendix 4 sets out these weaknesses. The 2009/10 annual governance report will set out associated recommendations for improvement.</p>	<p>My team will design and undertake increased substantive testing to provide assurance the accounts are free from material error.</p> <p>Effective controls in all systems provide greater assurance to management and members, and allow my team to undertake its work more efficiently.</p>
<p>International Financial Reporting Standards (IFRS) will apply to local government financial statements from the 2010/11 financial year.</p> <p>However, the requirements of International Financial Reporting Interpretations Committee (IFRIC) note 12, service concession arrangements, will apply from 2009/10. The Council will therefore need to identify and account correctly for service concession arrangements in its 2009/10 financial statements. This has a particular impact on the Council's libraries, schools and waste management Private Finance Initiative (PFI) schemes, but not just these areas.</p>	<p>My team will undertake work to ensure the Council has identified and accounted correctly for material service concession arrangements.</p>
<p>The Council's joint waste management PFI with East Sussex County Council is a complicated contractual arrangement that has changed significantly since it began. The accounting treatment adopted for this in the Council 2009/10 financial statements will need to comply with the requirements of IFRIC 12, and should be consistent with that adopted by East Sussex County Council. Transactions to account for the waste PFI will impact across the income and</p>	<p>I have identified the accounting treatment adopted for the waste management PFI as a significant risk to my 2010/11 opinion on the financial statements.</p> <p>Technical specialists from our central technical services directorate have attended meetings with relevant officers from both Brighton & Hove City and East Sussex County Council throughout the year. Those specialists will undertake a review of the accounting treatment</p>

Risk area	Audit response
<p>expenditure account, balance sheet and some of the notes to the financial statements. Interpretation of the accounting rules is a subjective exercise.</p> <p>I am aware of an objection about this at East Sussex County Council.</p>	<p>adopted in the financial statements.</p> <p>I will need to assess whether there is a need for additional disclosure because of the objection.</p>
<p>The Council introduced a new fixed asset register, Asset 4000, during the 2008/09 financial year. As part of my 2008/09 post-statement audit work I noted that officers were unable to provide reports from Asset 4000 to support balances and disclosures appearing in the financial statements. I raised a recommendation to address this issue in my 2008/09 Annual governance report.</p>	<p>My team held meetings with finance officers during the year to track progress on this issue. My team has specified the working papers it will need from Asset 4000 as part of my 2009/10 working paper requirements. I will review the adequacy of reports from Asset 4000 as part of my post-statement work in this area.</p>
<p>The Council settled a significant part of its total equal pay liability during the 2008/09 financial year. At the end of 2008/09 there remained around £14m in the equal pay reserve. The 2009/10 financial statements should account for further settlement of the total liability.</p>	<p>My team will review equal pay entries in the 2009/10 financial statements to ensure they properly reflect relevant transactions during the period and accord with current guidance.</p>



Testing strategy

- 16 Based on risks identified above I will produce a testing strategy that will consist of testing key controls and substantive tests of transaction streams and material account balances at year-end.
- 17 My team can undertake work both before and after the draft financial statements have been produced (pre and post-statement testing).
- 18 My team has sought to complete some substantive testing early in the year before the financial statements are available for audit. My team undertook early substantive testing on accounting policies and the ownership of investments.
- 19 Wherever possible, my team has sought to rely on the work of Internal Audit to help meet my responsibilities. For 2009/10, I have relied on the work of Internal Audit in the following areas:
- payroll controls testing;
 - Carefirst controls testing;
 - cash and bank controls testing;
 - schools controls testing; and
 - fixed asset reconciliations (partial reliance).



Key milestones and deadlines

- 20 The Council needs to prepare the financial statements by 30 June 2010. I will complete my audit and issue my opinion by 30 September 2010. Table 2 details the key stages in producing and auditing the financial statements.
- 21 I will agree with you a schedule of working papers required to support the entries in the financial statements.
- 22 Every week, my team will meet with the key contact and review the status of all queries.

Table 2 Proposed timetable

Task	Deadline
Control and early substantive testing	Complete
Receipt of accounts	30 June 2010 (expected 23 June)
Sending audit working papers to the auditor	5 July 2010 (expected 23 June 2010)
Start of detailed testing	12 July 2010
Progress meetings	Weekly
Present report to those charged with governance at the Audit committee	28 September 2010
Issue opinion	By 30 September 2010

The audit team

23 Table 3 shows the key members of the audit team for the 2009/10 audit.

Table 3 **Audit team**

Name	Contact details	Responsibilities
Helen Thompson District Auditor	helen-thompson@audit-commission.gov.uk 0844 798 1790	Responsible for the overall delivery of the audit including the quality of audit reports and signing the opinion and conclusion.
Simon Mathers Audit Manager	s-mathers@audit-commission.gov.uk 0844 798 1776	Manages and coordinates the different parts of the audit work. Key point of contact for the Director of Finance and Resources.
Jeremy Jacobs Team Leader	j-jacobs@audit-commission.gov.uk 0844 798 6121	Deals with the day-to-day detail of the audit of the financial statements.
Jessica Grange Team Leader	j-grange@audit-commission.gov.uk 0844 798 6116	Deals with the day-to-day detail of the audit of the financial statements.

Independence and objectivity

- 24 I am not aware of any relationships that may affect the independence and objectivity of the audit team, which I am required by auditing and ethical standards to communicate to you.
- 25 I comply with the ethical standards issued by the APB and with the Commission's requirements for independence and objectivity as summarised in Appendix 2.

Meetings

- 26 The audit team will update knowledge of your issues to inform risk-based audit through regular liaison with key officers. Appendix 3 sets out my proposals.

Quality of service

- 27** I am committed to providing you with a high-quality service. If you are in any way dissatisfied, or would like to discuss how I can improve my service, please contact me first. Alternatively, you may wish to contact the South East Head of Operations, Neil Childs.
- 28** If I am unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The Audit Commission leaflet 'Something to Complain About' sets out the complaints procedure. This is available from the Commission's website or on request.

Planned outputs

- 29** I will discuss reports and agree them with officers before issuing to the Audit Committee.

Table 4 Planned outputs

Planned output	Indicative date
Opinion audit plan	29 June 2010
Annual governance report	28 September 2010
Auditor's report giving an opinion on the financial statements	30 September 2010

Appendix 1 – Basis for fee

- 1 The Audit Commission is committed to targeting its work where it will have the greatest effect, based on assessments of risk and performance. This means planning work to address areas of risk relevant to my audit responsibilities and reflecting this in the audit fees.
- 2 The risk assessment starts with identifying the significant financial and operational risks applying to the Council based on:
 - my cumulative knowledge of the Council;
 - planning guidance issued by the Audit Commission;
 - the specific results of previous and continuing audit work;
 - interviews with Council officers; and
 - liaison with Internal Audit.

Assumptions

- 3 In setting the fee, I have assumed that:
 - the risk to the audit of the financial statements is not significantly different from that identified for 2008/09;
 - you will inform me of significant developments on the audit;
 - Internal Audit meets proper professional standards;
 - you will provide good quality working papers and records to support the financial statements by 30 June 2010;
 - you will provide information within agreed timescales;
 - you will provide prompt responses to draft reports; and
 - extra work will not be required to address questions or objections raised by local government electors.
- 4 Where these assumptions are not met, I will undertake added work that is likely to result in an increased audit fee.

Appendix 2 – Independence and objectivity

- 1 Auditors appointed by the Audit Commission comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors also comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).
- 2 The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.
- 3 International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires the appointed auditor:
 - discloses in writing all relationships that may bear on the auditor’s objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee the auditor has charged the client; and
 - confirms in writing the APB’s ethical standards are complied with and that, in the auditor’s professional judgement, they are independent and their objectivity is not compromised
- 4 The standard defines ‘those charged with governance’ as ‘those persons entrusted with the supervision, control and direction of an entity’. In your case, the addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.
- 5 The Commission’s Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them incorrectly or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

Appendix 2 – Independence and objectivity

- 6 The Standing Guidance for Auditors includes some specific rules. The key rules relevant to this audit appointment are as follows.
- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.
 - Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
 - The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
 - The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- 7 The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

DRAFT

Appendix 3 – Working together

Meetings

- 1 The audit team will maintain knowledge of your issues to inform our risk-based audit through regular liaison with key officers.
- 2 My proposal for the meetings is as follows.

Table 5 Proposed meetings with officers

Council officers	Audit Commission staff	Timing	Purpose
Chief Executive; Director of Finance and Resources	DA and AM	Quarterly	General update plus: March - audit plan July - accounts progress September - annual governance report
Audit Committee	DA and AM, with TL as required	As determined by the Committee	Formal reporting of: Audit Plan Annual governance report Other issues as required

Sustainability

- 3 The Audit Commission is committed to promoting sustainability in my working practices and I will actively consider opportunities to reduce our impact on the environment. This will include:
 - reducing paper flow by encouraging you to send documentation and working papers electronically;
 - use of video and telephone conferencing for meetings as required; and
 - reducing travel.

Appendix 4 – Control Weaknesses

Table 6 Material Systems - Control weaknesses

System	Controls	Gaps/weaknesses	Risk	Action required
Payroll	Forms used to tell payroll of new joiners, leavers and changes in circumstances are properly authorised.	Only 33 out of 60 transactions tested by Internal Audit were properly approved.	Transactions may be processed wrongly or salaries paid wrongly.	Ensure all documentation supporting changes in the payroll database is properly completed, authorised and filed.
Payroll	Review and clear the payroll 'unactioned changes report' before running the payroll.	The payroll department does not keep any evidence to prove this check is systematically undertaken.	Changes which have not been properly processed may not be corrected.	Keep evidence that the unactioned changes report is reviewed and cleared for each payroll run.
Payroll	Check and authorise changes in payroll system parameters.	There was no evidence that changes in the system parameters were subject to checking and authorisation by a senior manager.	The system parameters (rates of taxation etc.) may be incorrectly set.	A senior manager checks and authorises any amendment to system parameters..

Appendix 4 – Control Weaknesses

System	Controls	Gaps/weaknesses	Risk	Action required
National Non-Domestic Rates	Changes to discounts and exemptions are subject to a check by team leaders to ensure they have been correctly processed	A check of 10% of the changes processed should be undertaken. No checks had been made from July 2009 to November 2009.	Errors could go undetected.	Checks should be undertaken systematically and regularly throughout the year. Evidence of checking should be kept.
General Ledger - Journal controls	Journals are supported by narrative and supporting documentation is filed on a shared drive and a file path is provided with links to the journal reference.	Manual journal entries processed between directorates are not subject to formal check and authorisation.	Errors could go undetected.	The Council should ensure manual journals are formally checked and approved.
Carefirst	Clients are only entered on the system when the necessary forms are completed and approved having gone through the referral and assessment process.	In two of twenty cases tested by Internal Audit no evidence had been kept to prove the referral and assessment process had been properly completed.	Clients could be entered and payments made without authorisation.	Documentation and authorisation should be kept for all clients where payments are being made.
Carefirst	The process for accepting new suppliers/homes requires authorisation from contracts manager	In two of twenty cases tested by Internal Audit the request form was not properly approved.	Payments could be made to suppliers who do not meet the Council's criteria.	All new suppliers should be supported by correctly approved documentation.

Appendix 4 – Control Weaknesses

System	Controls	Gaps/weaknesses	Risk	Action required
Schools	A monthly reconciliation of all income and expenditure takes place for each school between the school's monthly return and the general ledger.	There is evidence of reconciliation where the school sends a monthly return. However this is not a compulsory process and is not checked centrally.	Discrepancies may not be detected.	All schools should be required to send a monthly return. A programme of periodic reconciliation should be set up and followed.
Accounts payable	Invoices are produced from the system by the Financial Information Services team at Hove Town Hall.	There is no evidence of checking that invoices produced and delivered to the debtors' team are complete.	Invoices processed on the system may not be properly dealt with.	Introduce a check on the completeness of the invoices processed.



Subject: Internal Audit Annual Report & Opinion 2009/10
Date of Meeting: 29th June 2010
Report of: Director of Finance & Resources
Contact Officer: Name: Ian Withers Tel: 29-1323
E-mail: ian.withers@brighton-hove.gov.uk
Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

1.1 This report presents the Internal Audit & Opinion Annual Report 2009/10 to Members of the Audit Committee. The full Annual Report and Opinion is provided at Appendix 1 and includes:

- Opinion on the adequacy and effectiveness of the City Council's internal control environment.
- Internal audit coverage and output for 2009/10.
- Internal audit performance 2009/10.

1.2 The opinion contributes to the annual review of governance arrangements and the production of the Annual Governance Statement as required by the Accounts & Audit Regulations (as amended) 2006.

2. RECOMMENDATIONS:

It is recommended that Members note the contents of the report in particular:

- The Head of Audit & Business Risk Opinion for 2009/10 on the adequacy and effectiveness of the internal control
- Internal audit coverage and any significant issues emerging

3. BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of the City Council's internal control, risk management and governance arrangements. This includes identifying and actions for improvements for the effective use of resources. Internal audit is therefore a key part of the City Council's internal control system and integral to the framework of assurance that the Audit Committee can place reliance on to assess its internal control system.
- 3.2 The Accounts and Audit Regulations 2003 (Amended 2006) requires the City Council to maintain an adequate and effective system of internal audit. Within the City Council the internal audit functions, which sits within the Audit & Business Risk Service, carries out the work to satisfy the legislative requirement and reports its findings, conclusions and recommendations/agreed actions to Senior Managers and the Audit Committee.
- 3.3 Proper practice under the above regulations is defined by the CIPFA Code of Practice for Internal Audit in Local Authorities and has been adopted by the City Council. This requires the Head of Audit & Business Risk to produce a report that:
- Provides an opinion on the overall adequacy and effectiveness of the organisation's control environment.
 - Discloses any qualifications to that opinion, together with reasons.
 - Presents a summary of the audit work from which the opinion is derived.
 - Draws attention to any issues of particular relevance.
 - Compares the audit work actually undertaken against that planned.
- 3.4 The operational Internal Audit Plan for 2009/10 was presented and approved by the Audit Committee in March 2009. The Annual Report and Opinion therefore provides details of the outturn against the planned and unplanned work that arose during the year.
- 3.5 Concern is expressed over the increase in audit reviews giving limited and reasonable assurance with a corresponding decrease in those giving substantial. There were none giving no assurance. Audit & Business Risk will be carrying out follow-up audit work on these audit reviews and working with management to improve controls. The Audit Committee will be updated further in 2010/11 on the position regarding these audit reviews.

4. FINANCIAL & OTHER IMPLICATIONS:

4.1 Financial Implications:

The Internal Audit Plan for 2009/10 was delivered within budgetary resources for the year.

Patrick Rice
Acting Assistant Director Financial Services

17th June 2010

4.2 Legal Implications:

The completion of the Internal Audit Annual Report and Opinion, demonstrates compliance with Regulation 6 of The Accounts & Audit Regulations 2003 (Amended 2006) which requires the council to 'maintain an adequate and effective system of internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.

Oliver Dixon
Lawyer

16th June 2010

4.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

4.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

4.5 Crime & Disorder Implications:

There no direct implications for the prevention of crime and disorder arising from this report.

4.6 Risk and Opportunity Management Implications:

The internal audit work is based on a full risk assessment. At the start of each audit, relevant areas of risk are discussed with the responsible manager to assist in the focus of the audit work.

4.7 Corporate / Citywide Implications:

Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

SUPPORTING DOCUMENTATION

Appendices:

1. Annual Report and Opinion 2009/10

Background Documents

1. Accounts & Audit Regulations 2003 (Amended 2006)
2. Code of Practice for Internal Audit in Local Government 2006 (CIPFA)
3. Internal Audit Plan 2009/10
4. Individual Internal Audit Reports issued in 2009/10



Audit & Business Risk

**Brighton & Hove
City Council**

**Internal Audit Annual Report
and Opinion 2009/10**

June 2010

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A	Audit Reviews 2009/10
B	Amendments to Annual Audit Plan
C	Definitions of Audit Opinions
D	Definitions of Audit Recommendations
E	Terms of Reference for the provision of Internal Audit

Introduction

Purpose of the report

1. This report summarises the internal audit work undertaken by Audit & Business Risk during the financial year 2009/10, in particular the outcomes of audit reviews, management actions and counter fraud activities. The report includes the Head of Audit & Business Risk's Annual Opinion on the council's internal control environment.

Role of Internal Audit

2. Internal Audit is a statutory requirement for local authorities under the Accounts & Audit Regulations 2006 (Amendment), which states that '*a relevant body shall maintain an adequate and effective system of internal audit of its system of internal control in accordance with proper internal audit practices.*'
3. The City Council's internal audit function is provided by Audit & Business Risk, part of the Finance & Resources Directorate, together with its partner Deloitte Public Sector Internal Audit Ltd.
4. Our role is to provide independent and objective assurance on the adequacy of the council's internal control environment, comprising risk management, internal control and governance by evaluating its effectiveness as a contribution to the proper economic, efficient and effective use of resources.
5. We continually seek to adapt and enhance our approach in order to take account of the council's risk profile and emerging issues, to ensure our work remains focussed on the areas of highest risk and providing value added to services.
6. Internal audit work also assists the Director of Finance & Resources in the discharge of her responsibilities as the council's Section 151 Officer.

Overview of the audit work carried out

7. The original Annual Audit Plan agreed by the Audit Committee in May 2009 included a total of 119 audit reviews. The Internal Audit Plan is designed to be flexible and responsive to change and emerging risks and issues throughout the year. We have therefore liaised closely with senior management to ensure this is achieved and the Annual Internal Audit Plan has been amended accordingly to ensure it represents the best use of our resources.
8. Amendments to the Annual Internal Audit Plan are shown at Appendix B and individual reviews being deleted, merged or added with a brief explanation of the reason. The final number of planned audit reviews for the year was 110. This includes FMSiS External Assessments (15) that have effectively replaced individual schools audits.

9. At the time of preparing this report the position on these was as follows:
- 119 – Total number of audits per original plan
 - 111 – Total number of audits per revised plan
 - 85 – Final Internal Audit Reports
 - 21 – Draft Internal Audit Reports/awaiting responses
 - 5 – Audit fieldwork still in progress
10. Audits remaining at fieldwork stage are nearing audit report stage but have been delayed due a number of reasons including service pressures and availability of key client staff.
11. The percentage of the revised Internal Audit Plan at either final or draft report stage is 95% achieving the target for the year, compared to 94% for 2008/09.
12. During the year, we have had staff vacancies that earlier impacted on the achievement of the Annual Internal Audit Plan. We were however able to ‘back fill’ to through obtaining staff resources from an external internal audit provider through a framework contract.

Head of Audit & Business Risk’s Annual Opinion

13. The level of assurance that the Head of Audit & Business Risk provides is based on the internal audit work carried out during the year. In assessing the level of assurance given, the following have been taken into account:
- The quality and performance of internal audit work;
 - Internal audit work completed during 2009/10;
 - Follow-up action taken following agreement and issue of final audit reports in 2009/10 and previous years;
 - Individual audit opinions given in internal audit reports;
 - Any significant recommendations not accepted by management and the consequence of those risks;
 - The extent to which resource constraints may limit the ability to meet the full internal audit needs of the council;
 - Impact of significant changes to the internal control environment; and
 - The quality and performance of the service and extent of compliance with the CIPFA Code of Practice for Internal Audit

14. The Head of Audit & Business Risk is satisfied that sufficient assurance work has been carried out to form a reasonable opinion on the adequacy and effectiveness of the council's internal control environment. The internal control environment comprises internal control, risk management and governance arrangements.
15. No assurance can ever be absolute, however based upon the internal audit work undertaken, our overall opinion is that **reasonable assurance can be provided that an effective system of internal control in place at the City Council for the year ended 31st March 2010 is operating effectively.**

16. Our audit work during the year has identified weaknesses and specific actions for improvement of the control environment. We will continue to work closely with management in successfully implementing actions within reasonable timescales.

Council's Annual Governance Statement

17. Our assurance work and the Head of Audit & Business Risk's Annual Opinion above is a key part of the council's Annual Review of Governance Arrangements and production of the Annual Governance Statement. Key issues from audit reviews, in particular those providing limited assurance have been considered and where appropriate included in the Annual Governance Statement. For 2009/10 this included HR/Payroll, procurement and contract management.

Internal Audit Coverage and Output

Outcomes from audit reviews

18. Table 1 and 2 below illustrate the outcomes from our audit reviews where either draft or final reports have been issued. Table 1 contains an overall summary of the audit reviews carried out resulting in an assurance level (full, substantial, limited or none) being given and Table 2 audit recommendations resulting from the audit reviews. Both tables show a comparison with the previous year.
19. It should be noted that the analysis contained in the tables does not include FMSiS External Assessments, due to the different assurance criteria and type of recommendations.

Table 1 - Assurance Levels Given

Assurance Opinion	No. of Audit Reviews			
	2008/09		2009/10	
Full	1	1%	1	1%
Substantial	39	45%	24	27%
Reasonable	38	44%	46	51%
Limited	9	10%	16	18%
None	0	0%	0	0%
Not Included	-	-	3	3%
Totals	87		90*	

(* Excludes 16 FMSiS External Assessments)

20. The number of audit reviews completed remains constant but there is a significant decrease in the number of audit reviews giving substantial with a corresponding increase in reasonable and limited. As part of our follow-up work we will be focussing on the audit areas and working with management to ensure actions are implemented and subsequently internal controls improved.

Table 2 - Audit Recommendations

No. of Audit Recommendations	2008/09		2009/10	
High	40	7%	43	6%
Medium	491	84%	607	82%
Low	52	9%	86	12%
Totals	583		736	

21. The number of high priority recommendations has remained constant but it can be seen that the number of medium priority has increased significantly.

Audit Reviews Completed

22. A full list of specific audits where an audit report was produced is shown at Appendix A. This includes the report status being draft or final, assurance levels given and the number of recommendations/actions. These are listed under the 7 thematic review areas as contained in the Annual Internal Audit Plan.

Counter Fraud

23. Our work covers all corporate internal fraud and corruption work. This includes increasingly proactive prevention work in managing the risk of fraud, detection and investigations.
24. During the year we received and investigated 77 referrals of suspected fraud and irregularities and of these currently 46 have been closed with 31 remaining still in progress. Of the closed cases sanctions included three employees being dismissed, one remaining pending disciplinary action and one now former employee receiving a custodial sentence of four months.

25. The council participates in the Audit Commission's National Fraud Initiative (NFI) being a data matching exercise to identify fraud and error. We have the lead role in the council for co-ordinating and investigating matches and for the current exercise have identified in excess of £496k in savings, principally overpayments of benefits. The outcome of the latest NFI exercise was reported to the Audit Committee in March 2010.
26. Other proactive counter fraud work undertaken during the year include:
- Updating and improving the effectiveness of the Whistleblowing Policy and Process
 - Working with external consultants on updating the council's a fraud risk assessment and fraud loss measurement exercise.
 - Gap analysis against the Audit Commission's "Protecting the Public Purse 2".
 - Continue to develop a close working relationship with other counter fraud agencies
 - Further development of case management software for investigations to be a proactive fraud intelligence tool.
 - Developing the role of the council's Corporate Fraud Group
 - Specific fraud awareness training around for example identity and assisting staff to recognise false documentation
 - Close liaison with other public sector organisations for a "partnership" approach to fighting fraud examples including the UK Borders Agency, Sussex Police, NHS Counter Fraud Service and various Local Authorities.

Corporate Support

27. We have continued to be pragmatic in providing professional support to management through proactive advice and information. This element of our work is seen as invaluable by directorates, particularly in areas of change management. By taking this proactive approach, often problems and risks can be avoided. The most significant area for 2009/10 was Equal Pay where is excess of 100 audit days were used in providing an invaluable contribution in reducing risks. Other areas include recruitment/identity, contract management, financial management, information security, codes of conduct.

Other Direct Audit Activity

28. There was an expectation by the Department for Education that all schools will have met the Financial Management Standard in Schools (FMSiS) by the end of March 2010. We are the council's preferred accredited external assessments for the achievement of the FMSiS by individual schools.
29. During 2009/10 we completed the programme and completed the remaining 9 first time external assessments for primary schools. In addition we carried out re-assessments for 7 secondary schools. We are pleased to say that 15 have passed and 1 remains as a conditional pass awaiting implementation of agreed actions.

Table 3 - FMSiS External Assessments

School	Result
Blatchington Mill School	Pass
Cardinal Newman Catholic School	Pass
Dorothy Stringer School	Pass
Hove Park School	Pass
Longhill School	Pass
Portslade Community College	Pass
Vardean School	Pass
Hertford Infant School	Pass
St Peters Community Infant School	Pass
Hertford Junior School	Conditional Pass
St Nicolas' CE Junior School	Pass
St Martin's CE Primary School	Pass
St Mary's RC Primary School	Pass
St Paul's CE Primary School	Pass
West Blatchington Primary School	Pass
Fairlight Primary School	Pass

30. Other direct audit activity also includes follow-up reviews on management action to implementation of agreed audit recommendations. These reviews are usually carried out within six months from agreement and issue of the final report. From follow-up reviews carried out during 2009/10, the overall level of implementation of agreed actions is 82% of which, 97% relates specifically to high priority ones.
31. At the end of 2009/10 we implemented new audit management software, with improved action tracking functionality over agreed audit recommendations. This will significantly improve our monitoring and reporting of the implementation of agreed actions to audit recommendations for the future.

Internal Audit Performance

32. Agreed local performance indicators for internal audit based on best practice are agreed and included in the Annual Internal Audit Plan and our Service Business Plan. These are monitored and reported throughout the year.

Summary of 2009/10 performance data

33. These local performance indicators are generally quantitative and are shown in Table 4 below, actual performance against targets set. The actuals for 2008/09 are shown in brackets for trend analysis.

Table 4 - Performance Indicators Targets V Actuals**Completion of audits against the number identified in the Agreed Annual Internal Audit for 2009/10. Completion to final or draft report stage.**

Purpose of the performance indicator: to ensure that Audit & Business Risk provides sufficient coverage to provide an adequate and effective internal service, to provide sufficient assurance to management on the City Council's system of internal control and meet the requirements of the Section 151 Officer and External Audit	
Target: 95%	Achieved: 95% (2008/09 94%)

Turnaround times of audit reports

Purpose of the performance indicator: to ensure effectiveness of audit work in terms of timeliness and service delivery to clients.	
Target: Issue 100% of draft reports within 10 working days of completion of audit fieldwork	Achieved: 96% (2008/09 96%)
Target: Receive 100% of client responses within Client responses within 15 days of issue of draft reports.	Achieved: 83% (2008/09 84%)
Target: Issue of 100% of final audit reports within 10 days of agreement with clients	Achieved: 87% (2008/09 86%)

Client satisfaction levels of at least good or very good

Purpose of the performance indicator: to ensure Audit & Business Risk provides a sufficient level of service in terms of quality and impact through adding value as required by its clients.	
Target: 92% of client satisfaction responses at least good or very good.	Achieved: 96% (2008/09 95%)

Reliance by External Audit on the work of Audit & Business Risk

Purpose of the performance indicator: to ensure the audit coverage and quality is sufficient to meet the statutory requirements of external audit, including the International Standards of Auditing and beneficial in terms of reducing external audit fees to the City Council.	
Target: Reliance	Achieved: Reliance (2008/09 Reliance)

34. We participate in a national benchmarking exercise operated by the Chartered Institute of Public Finance. This has shown our performance to be in the upper quartile but costs in the lower when compared to other Unitary Local Authorities.

35. The Comprehensive Performance Assessment (CAA), Use of Resources considered to be in part, a reflection of the ongoing effectiveness of internal audit activity as it contributes to and influences the quality of the internal control environment. The 2009 CAA score for Internal Control was 3 out of 4 and although the same as 2008, it was regarded a a tougher test and individual components had improved

Service Developments in 2009/10

36. The following are key service developments during 2009/10:
- Major implementation of New Audit Management System that will increase productivity, management information (e.g. direct Audit Committee Reports) and tracking of actions from audit reviews
 - Further development of case management software for fraud referrals
 - Greater use of flexible working to increase productivity and work satisfaction of staff
 - Greater integration with the council's Risk Management function

Service Review

37. The Accounts and Audit Regulations (Amended) 2006, require an annual review to be carried out on the effectiveness of Internal Audit. This is primarily against the CIPFA Code of Practice for Internal Audit in Local Government. This review is currently in progress awaiting Members scrutiny and approval.
38. During the year the Audit Commission carried out a review of Internal Audit required every three years by the International Standards of Auditing (IAS). The overall conclusion of this review was that *Internal Audit provides an effective service. It has a positive reputation and standing within the council which allows it to fully contribute to the corporate governance framework.* There were no actions arising from the review.

Appendix A**Audit Reviews Completed to Draft or Final Report 2009/10**

Thematic Area	Audit	Report Status	Assurance Level	Recommendations/Agreed Actions and Priority			
				High	Medium	Low	
Corporate Governance	Business Continuity Planning	Final	Reasonable	0	15	3	
	Emergency Planning	Final	Reasonable	0	9	0	
	Annual Governance Statement	Final	Not Included	-	-	-	
	Business Planning	Final	Reasonable	0	3	3	
	Data Quality	Final	Reasonable	0	6	0	
	Corporate Health & Safety	Final	Reasonable	0	10	1	
	Declarations of Interest, Gifts & Hospitality	Final	Reasonable	0	5	0	
Cross Cutting (Across council & directorates)	Insurance	Final	Reasonable	0	4	1	
	Premises Security	Final	Reasonable	0	6	0	
	Value for Money Phase 1 Benefits Realisation	Final	Reasonable	0	6	0	
	Cash Handling	Final	Limited	1	7	0	
	VAT Accounting	Final	Reasonable	1	2	1	
	Use of Natural Resources	Final	Substantial	0	11	1	
	Staff Expenses Management	Draft	Reasonable	0	19	0	
	Customer Satisfaction	Final	Reasonable	0	4	0	
	Fundamental Financial Systems	Main Accounting System/General Ledger	Final	Reasonable	0	6	0
		Creditors/Accounts Payable	Final	Substantial	0	3	1
Debtors/Accounts Receivable		Final	Reasonable	0	10	2	
Cash Collection and Bank		Final	Substantial	0	3	0	
Treasury Management		Final	Full	0	0	0	
Council Tax		Final	Substantial	0	5	0	
NDR (Business Rates)		Final	Substantial	0	3	0	
Housing & Council Tax Benefits		Final	Substantial	0	5	0	
Housing Rents		Final	Substantial	0	4	2	
Capital Accounting and Expenditure		Draft	Reasonable	0	4	6	
Management of Fixed Assets		Final	Reasonable	1	9	0	
Payroll/HR		Final	Limited	9	3	0	
Procurement & Contract Management		Building Schools for the Future	Final	Reasonable	0	1	1
	Education PFI	Final	Reasonable	0	8	0	
	Street Lighting Contract	Final	Limited	6	5	5	
	City Parks Use of	Final	Reasonable	0	4	0	

Thematic Area	Audit	Report Status	Assurance Level	Recommendations/Agreed Actions and Priority		
				High	Medium	Low
	Subcontractors					
	Integrated Waste Management Contract – Charging (tonnage) to B&HCC	Final	Substantial	0	5	0
	Corporate Procurement Strategy	Final	Substantial	0	8	0
	Use of External Consultants	Final	Reasonable	0	3	0
	Contract Management	Draft	Reasonable	0	6	0
	Gas Servicing Contract	Final	Reasonable	0	12	1
	Local Delivery Vehicle for Housing	Final	Substantial	0	6	0
	Highways Minor Works	Final	Reasonable	0	5	0
	Redevelopment of London Road and the Lanes Car Park	Final	Limited	0	11	0
ICT	Service Desk/Incident Management	Draft	Reasonable	0	11	0
	ISO27001 (ICT Security Standard)	Draft	Not Included	0	2	0
	GCSX CoCo	Final	Substantial	0	3	0
	Web Content Management	Draft	Limited	2	6	0
	Human Resource System Acquisition and Implementation – Project Management	Final	Substantial	0	0	0
	HR/Payroll System – System Migration and Testing	Final	Substantial	0	2	2
	HR/Payroll System Implementation - Systems Security & Interfaces	Final	Limited	4	11	1
	Mobile Computing	Draft	Reasonable	0	5	0
	Disaster Planning and Recovery	Draft	Reasonable	1	6	1
	Telecommunications Security	Draft	Reasonable	0	10	4
	E-Procurement	Final	Substantial	0	6	0
	Telecommunications Security	Draft	Reasonable	0	10	4
	Soydus Libraries Application	Final	Reasonable	0	6	0
	Network Security	Final	Reasonable	1	13	3
	Data Transmission	Final	Limited	2	2	0
	Government Connect (COCO)	Final	Substantial	0	3	0
	Cardinal Newman School – IT Governance	Final	Reasonable	0	14	0
Service Specific	Special Educational Needs (SEN)	Final	Substantial	0	1	1
	ContactPoint (Children's National Index)	Draft	Substantial	0	2	0
	Schools Thematic Review – Asset	Draft	Substantial	0	5	0

Thematic Area	Audit	Report Status	Assurance Level	Recommendations/Agreed Actions and Priority		
				High	Medium	Low
	Management					
	Schools Thematic Review – Catering	Final	Substantial	0	2	0
	Culture & Enterprise Directorate Income	Final	Reasonable	0	14	2
	On-Street and Off Street Parking Income	Final	Reasonable	0	5	1
	Building Control	Final	Limited	0	7	0
	King Alfred Leisure Centre	Final	Reasonable	0	7	1
	Seafront Services	Final	Limited	6	4	0
	Golf Courses	Final	Substantial	0	4	0
	Blue Badges	Draft	Limited	1	14	5
	Brighton Centre	Draft	Reasonable	0	3	4
	Royal Pavilion	Final	Reasonable	0	11	0
	Concessionary Fares	Final	Substantial	0	2	0
	Bereavement Services	Final	Limited	0	43	0
	International Financial Reporting Standards	Final	Substantial	0	4	1
	Automation of Imprest Accounts Processing	Draft	Reasonable	0	3	0
	Supporting People	Draft	Reasonable	0	9	2
	Housing Allocations	Final	Substantial	0	4	0
	Housing Tenancy Management	Draft	Limited	0	13	11
	Temporary Accommodation	Draft	Limited	3	9	0
	Housing Decent Home Standard – Data Quality	Final	Reasonable	0	3	1
	Adult Social Care – Data Quality	Final	Reasonable	0	5	1
	Integrated Community Equipment Store (ICES)	Final	Limited	4	4	2
	Delayed Transfers	Final	Reasonable	0	2	0
	Client Billing	Final	Reasonable	0	6	2
	Clients' Money	Final	Reasonable	0	8	0
	Home Care	Final	Reasonable	0	1	0
	Residents Parking Permits	Draft	Limited	1	13	8
	Mayor's Charities	Final	Limited	0	6	0
	Learning Disabilities Budget: Continuing Health Care Funding	Draft	Not Included	0	6	0
	Financial Management Standard in Schools (Overview)	Draft	Substantial	0	2	1
Counter Fraud	Whistleblowing Policy & Arrangements	Final	Reasonable	0	14	0
	RIPA & Surveillance Procedures	Final	Reasonable	0	23	0

Appendix B**Amendments to the Annual Internal Audit Plan for 2009/10**

Action	Area	Planned Audit	Reason/Comments
Deferred to 2010/11	Corporate Governance	Governance of Partnerships	Audit review commenced but due to late agreement by client to the 2008/09 audit, agreed that audit would be of better value if deferred to 2010/11.
Deleted from Annual Plan	Corporate Governance	Risk Management	Review undertaken by the Audit Commission as part of Opinion Audit and outcome positive.
Deleted from Annual Plan	Cross Cutting	Transport Fleet Management	Duplication with other departmental review work and inclusion in VFM Programme. Support still provided through advice.
Deleted from Annual Plan	Cross Cutting	Flexible Working/Workstyles	Duplication with VFM Review work. Although no audit, support provided to VFM review in terms of providing advice.
Deleted from Annual Plan	Cross Cutting	Customer Access Project	Risk reduced
Deleted from Annual Plan	Cross Cutting	Accommodation Utilisation and Strategy	Duplication with VFM Review work. Although no audit, support provided to VFM review in terms of providing advice.
Deferred (in part) to 2010/11	ICT	Third Party Remote Access	Audit commenced but shortly after ICT Manager went off on long term sick. Completion of audit deferred to 2010/11
Merged with general audit	ICT	ContactPoint	Merged with non ICT audit and Service Specific.
Deferred to 2010/11	ICT	Use of Spreadsheets & Databases	Awaiting system/software inventory to be completed in June 2010 to provide starting point for audit.
Deferred to 2010/11	ICT	Data Management and Security Arrangements	Duplication with GCSX work being carried out in ICT. During 2009/10 regular meetings held and advice given on emerging risks/issues.
Deleted from Annual Plan	ICT	ICT Strategy	Due to changes in the council audit not considered to add value in 2009/10.
Deleted from Annual Plan	Service Specific	Waste Enforcement	Service reorganisation and reduced risk
Deleted from Annual Plan	Service Specific	Libraries (Stock Management)	Merged with ICT audit reviewing system application that controls stock.
Deleted from Annual Plan	Service Specific	Support to asylum seekers with no right to remain in the UK and recourse to public funds	Considered duplication and no added value from review due to other work being carried out by Financial Services and Adult Social Care to address the issues.
Merged with Council Tax Audit	Service Specific	Council Tax Single Persons Discounts and Exemptions	Merged with main audit of Council Tax. However close liaison, advice and support given to Single Persons Discount exercise by Revenues & Benefits with Northgate.
Deferred to 2010/11	Procurement and Contract Management	Integrated Waste Management Contract – Contract Management	Due to service pressures from staff shortages on the Contract Manager, agreed to defer the audit to 2010/11 with agreement of the Joint Audit Group and IWMC Project Board

Action	Area	Planned Audit	Reason/Comments
Deferred to 2010/11	Counter Fraud	Money Laundering Policy & Arrangements	Updated guidance delayed from CIPFA.
Added to Annual Plan Audit	Service Specific	Home Care	Review requested by management on follow-up to VFM Review
Added to Annual Plan Audit	ICT	E-Procurement	Deferred from 2008/09 due to client availability.
Added to Annual Plan Audit	Service Specific	Mayor's Charities	Requested by management due to issues arising.
Added to Annual Plan Audit	Service Specific	Continuing Care	Audit investigation requested by management due to financial risk to the council.
Added to Annual Plan Audit	Contracts and Procurement	Highways Minor Works	Increase in risk during the year and issues raised.
Added to Annual Plan Audit	Contracts and Procurement	Car Park Development	Requested by management due to issues arising.
Added to Annual Plan Audit	Service Specific	Financial Management in Schools (Overview)	Overview required for assurance to the Department for Education
Added to Annual Plan Audit	ICT	Cardinal Newman – IT Governance	Review requested by school and carried out as a pilot to roll out as thematic review for other schools in 2010/10.

Appendix C**Definitions of Audit Opinions**

Level of Assurance	
Full	There is a sound system of control designed to achieve the system and service objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.
Substantial	Whilst there is a basically sound system of control (i.e. key controls), there are weaknesses, which put some of the system/service objectives at risk, and/or there is evidence that the level on non-compliance with some of the controls may put some of the system objectives at risk and result in possible loss or material error. Opportunities to strengthen control still exist.
Reasonable	Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system and result in residual risk. There is therefore a need to introduce additional controls and/or improve compliance with existing controls to reduce the risk to the City Council.
Limited	Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk. Controls are considered to be insufficient with the absence of at least one critical or key control. Failure to improve control or compliance lead to an increased risk of loss to the Authority. Not all major risks are identified and/or being managed effectively.
No	Control is generally very weak or non-existent, leaving the system open to significant error or abuse and high level of residual risk to the City Council. A high number of key risks remain unidentified and/or unmanaged.

Definitions of Audit Recommendations

Priority	Assessment	Timescale for Implementation
High	<p>Fundamental There is a weakness in control that represents immediate material risk to the City Council or a service and requires urgent attention by management.</p> <p>These issues generally merit the attention of senior management.</p>	Actions to address recommendations should in a number of cases be immediate and at least within three months.
Medium	<p>Significant There is weakness in control and a risk of material inaccuracy/loss to the City Council or a service area and requires corrective action/attention by local management within a reasonable period.</p>	Should be implemented within 6 months
Low	<p>Merits Attention Minor matters where there is a weakness or opportunity for improvement, which does not expose the service/system under review to any significant risk, but management should consider taking action.</p>	No set time period.

Terms of Reference for the provision of Internal Audit Services

1. Purpose

- 1.1 The Terms of Reference is for the provision of Internal Audit Service within Brighton & Hove City Council. It is reviewed and approved on an annual basis to ensure that current needs are met.

2. Role and Function

- 2.1 Internal audit is an assurance function that primarily provides an independent and objective opinion and adds value to the City Council on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. The service is delivered by the Audit & Business Risk Division within the Finance & Resources Directorate.
- 2.2 The control environment comprises the systems of governance, risk management and internal control.

3. Reporting Lines & Relationships

- 3.1 Audit & Business Risk provide the City Council's internal audit function and are part of the Finance & Resources Directorate. The Head of Audit & Business Risk reports functionally to the Chief Executive, Director of Finance & Resources (Section 151 Officer), other Directors and members of the Audit Committee. Administratively the Head of Audit & Business Risk also reports to the Director of Finance & Resources.
- 3.2 The Audit Committee is responsible for approving the Internal Audit Strategy and Annual Audit Plan. The Head of Audit & Business Risk reports regularly to the Audit Committee on progress against the Annual Audit Plan and key issues arising.

4. Independence and Accountability

- 4.1 Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations. Internal auditors have no operational responsibility.

- 4.2 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. Internal Audit has unrestricted access to officers, members, council records and to report in its own name.
- 4.3 The existence of an internal audit function within the City Council does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well ordered manner.

5. Statutory Role

- 5.1 Internal auditing is provided as a statutory service in the context of the Accounts & Audit Regulations 2003 (as amended 2006), which states that a relevant body shall maintain an adequate and effective system of internal audit of its accounting systems and its system of internal control in accordance with the proper Internal audit practices.
- 5.2 The statutory role is recognised and endorsed within the City Council's Financial Regulations, which provides the authority for unlimited access to officers, Members, documents and records and to require information and explanation necessary.

6. Consultancy and Advisory Role

- 6.1 Audit & Business Risk also perform a consultancy or advisory role on an ad hoc basis or as part of the Annual Internal audit Plan, as requested by management. Reports from this type of work contain findings and recommendations particularly to add value to the City Council's services in achieving value for money in its use of resources. Any consultancy and advisory work carried out shall not jeopardise the Internal Audit independence.

7. Internal Audit Standards

- 7.1 There is a statutory requirement for Audit & Business Risk to work in accordance with the 'proper audit practices'. These are effectively the CIPFA Code of Practice for Internal Audit in Local Government that accompanies the Accounts & Audit Regulations 2003 (as amended 2006).

8. Internal audit Scope

- 8.1 The scope for Audit & Business Risk is 'the control environment comprising risk management, control and governance'. This means that the scope of Audit & Business Risk includes all of the City Council's operations, resources, services and responsibilities in relation to associated partner organisations. The priorities for Audit & Business Risk will be determined by a process of risk assessment.

9 Internal audit Resources

- 9.1 Audit & Business Risk will ensure as far as possible that it appropriately staffed in terms of numbers, skills and experience. The Head of Audit & Business Risk is responsible for appointing of staff and will ensure these are made in order to achieve the appropriate mix of qualifications, experience and skills.
- 9.2 The Head of Audit & Business Risk is responsible for ensuring that the resources of Audit & Business Risk are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby he concluded that resources were insufficient, he must formally report this to the Director of Finance & Resources (Section 151 Officer) and the Audit Committee.
- 9.3 Where necessary to provide an adequate, effective and professional service the Head of Audit & Business Risk will outsource internal audit work to supplement internal resources but will ensure quality is not compromised.
- 9.4 If Internal auditors are appointed from operational roles elsewhere within the City Council, they do not undertake an audit in that area directly within one year unless by prior agreement.

10. Fraud and Corruption

- 10.1 Managing the risk of fraud and corruption is the responsibility of management. Internal audit reviews alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Audit & Business Risk will, however be alert in all their work to risks and exposures that could allow fraud or corruption.
- 10.2 The Head of Audit & Business Risk has lead responsibility for corporate counter fraud activities including proactive initiatives, maintaining and developing an effective framework, and advising management.

11. Reporting Accountabilities

- 11.1 A written internal audit report will be prepared for every audit carried out and issued to the appropriate manager responsible for the area under review. Internal audit reports will include an 'opinion' on the risk and adequacy of controls, which together will contribute to the annual audit opinion on the City Council's control environment.
- 11.2 Audit & Business Risk will make practical recommendations based on the findings of the audit work and discuss these with management to establish appropriate action plans.
- 11.3 Management are expected to implement all agreed recommendations within a reasonable timeframe. Each internal audit will be followed up

normally within six months of issue, in order to ascertain whether agreed actions have been implemented effectively.

- 11.4 The Head of Audit & Business Risk reports regularly to the Audit Committee on progress made against the Annual Audit Plan and the summarised outcomes of individual audits.
- 11.5 The Head of Audit & Business Risk provides an Annual Internal Audit Report to the Audit Committee that includes an opinion on the adequacy and effectiveness of the control environment.

12. Responsibilities

- 12.1 In meeting its responsibilities, the activities of Audit & Business Risk will be conducted in accordance with the City Council's objectives, established policies and procedures. In addition, internal auditors comply with the Code of Practice for Internal Audit in Local Government (CIPFA).
- 12.2 Audit & Business Risk will co-ordinate effectively with the Audit Commission (as the City Council's appointed external auditors) for optimal audit coverage and to ensure that appropriate reliance can be placed on internal audit work.
- 12.3 Audit & Business Risk will work the internal audit functions of the City Council's partner organisations to ensure the robustness of controls and risk management arrangements, to protect the City Council's interests.

Subject:	Targeted Budget Management (TBM) Provisional Outturn 2009/10		
Date of Meeting:	17 June 2010		
Report of:	Director of Finance & Resources		
Contact Officer:	Name:	Patrick Rice	Tel: 29-1333
	E-mail:	Patrick.rice@brighton-hove.gov.uk	
Key Decision:	Yes	Forward Plan No: CAB14964	
Wards Affected:	All		

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report sets out the provisional outturn position (Month 12) on the revenue and capital budgets for the financial year 2009/10.

2. RECOMMENDATIONS:

- 2.1 That Cabinet notes the provisional outturn position for the General Fund, which is an underspend of £0.235 million.
- 2.2 That Cabinet notes the provisional outturn for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2009/10.
- 2.3 That Cabinet approves the contributions to reserves as set out in paragraph 3.4.
- 2.4 That Cabinet notes the provisional outturn position on the capital programme.
- 2.5 That Cabinet approves the following changes to the capital programme:
- (i) The budget reprofiling as set out in Appendix 5;
 - (ii) The carry forward of slippage into the 2010/11 capital programme, to meet on-going commitments on these schemes as set out in Appendix 6;
 - (iii) The new scheme as set out in Appendix 8.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The table below shows the provisional outturn position for council controlled budgets within the General Fund and the outturn on NHS managed S75 Partnership Services.
- 3.2 The provisional outturn shows that the council is managing within its available resources despite significant in-year pressures relating to looked after children, the economic downturn, the adverse weather and Adult Social Care placements. A number of directorate budgets were under pressure during the year but the

forecast position has improved since month 9, reflecting recovery actions and spending constraints. The council's overall position is supported by significant underspends on Centrally Managed Budgets including savings due to the pay award being lower than forecast and the risk provision held to offset in year pressures. More detailed explanation of the variances below can be found in Appendix 1.

Forecast Variance Month 9 £'000	Directorate	2009/10 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
729	Adult Social Care	38,110	38,930	820	2.2%
79	S75 Learning Disability Services	23,710	23,754	44	0.2%
1,948	Children & Young People's Trust	49,540	51,498	1,958	4.0%
(144)	Finance & Resources	16,582	16,301	(281)	-1.7%
44	Strategy & Governance	14,503	14,637	134	0.9%
1,032	Environment	31,506	32,715	1,209	3.8%
353	Housing, Culture & Enterprise	15,407	15,771	364	2.4%
4,041	Sub Total	189,358	193,606	4,248	2.2%
(3,975)	Centrally Managed Budgets	1,496	(2,987)	(4,483)	-299.7%
66	Total Council Controlled Budgets	190,854	190,619	(235)	-0.1%
493	NHS Trust managed S75 Servs	13,486	13,486	-	0.0%
559	Total Overall Position	204,340	204,105	(235)	-0.1%

3.3 The Total Council Controlled Budgets line in the above table represents the total current forecast in respect of the council's General Fund. This includes all directorate budgets, centrally managed budgets and council-managed Section 75 services. The NHS Trust-managed Section 75 Services line represents those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Trust and South Downs Health Trust and include health and social care services for Adult Mental Health, Older People Mental Health, Substance Misuse, AIDS/HIV, Intermediate Care and Community Equipment.

3.4 Cabinet approval is sought for the following contributions to reserves:

Connexions/Prospects Pension Reserve

It is proposed to make a contribution of £0.108 million to a new Connexions/Prospects Pension Reserve Account. This is in respect of a commitment made by the Authority to contribute a one-third share to fully fund the past service liabilities of Sussex Careers staff that have elected to transfer their pension benefits to Prospects, the actual cost is not yet known as the Council is currently awaiting information from the London Pension Fund in order to progress this issue.

Land Charges Reserve

The impact that the Environmental Information Regulations has on the ability of the service to charge for disclosure of certain pieces of information is still being assessed. There is a possibility of legal action for the recovery of personal search fees from local authorities and so it is considered prudent to set aside a sum for such an eventuality of £0.220 million.

Contribution to a Bereavement Services Grounds Maintenance Reserve

It is proposed to utilise part of the underspend in the Customer Services division to make a contribution to a reserve of £0.075 million, to fund one-off costs associated with the maintenance and upkeep of cemeteries.

3.5 The forecast outturn on the HRA is as follows:

Forecast Variance Month 9 £'000	Housing Revenue Account	2009/10 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Variance Month 12 %
321	Expenditure	47,949	48,024	75	0.2%
15	Income	(47,949)	(47,744)	205	0.4%
336	Total	-	280	280	

Detailed analysis of the HRA provisional outturn is also provided in Appendix 1 and in the HRA 2009/10 Outturn report.

Corporate Critical Budgets

3.6 Targeted Budget Management (TBM) is based on the principles that effective financial monitoring of all budgets is important. However, there are a small number of budgets with the potential to have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict with certainty and where relatively small changes in demand can have significant financial implications for the council's budget strategy. These therefore undergo more frequent, timely and detailed analysis. Set out below is the forecast outturn position on the corporate critical budgets.

Forecast Variance Month 9 £'000	Corporate Critical	2009/10 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
1,140	Child Agency & In House	18,114	19,326	1,212	6.7%
1,002	Sustainable Transport	(659)	132	791	120.0%
(300)	Housing Benefits	(807)	(1,431)	(624)	77.3%
(400)	Concessionary Fares	7,345	6,805	(540)	-7.4%
952	Community Care	23,108	24,155	1,047	4.5%
79	Section 75 Learning Disabilities	23,710	23,754	44	0.2%
2,473	Total Council Controlled	70,811	72,741	1,930	2.7%
493	S75 NHS & Community Care	13,486	13,486	-	0.0%
2,966	Total Corporate Criticals	84,297	86,227	1,930	2.3%

Annual Efficiency Savings

3.7 The Comprehensive Spending Review 2007 assumed that, nationally, local authorities will deliver 3% cash releasing gains year-on-year. Progress made by authorities will be reported via the National Indicator NI 179 which measures Value for Money gains since the start of the 2008/09 financial year.

- 3.8 The national requirement to produce 3% cash releasing gains is reflected in the Medium Term Financial Strategy. Appendix 2 to this report summarises the efficiency savings agreed as part of the 2009/10 budget process and the end of year progress against their achievement. Variances to the agreed efficiencies are included in the directorate forecasts.

Capital Budget 2009/10

- 3.9 This part of the report provides Members with details of the capital programme provisional outturn for 2009/10, which highlights any programme slippage and budget changes and seeks approval for carry forwards (re-profiling) to the 2010/11 programme. Appendix 4 to this report shows the proposed changes to the budget, resulting in a final 2009/10 capital programme budget of £72.294 million.

Budget Re-profiling

- 3.10 Delays have been identified in some projects due to factors outside of our control. Appendix 5 provides details of the reasons and asks Members to agree to the re-profiling of the budget, which in most cases will result in the resources being moved from this year's capital programme to the next.

Capital Slippage

- 3.11 Project managers have identified that the net slippage on the capital programme amounts to £3.858 million of which £0.749 million is devolved to schools leaving a net balance of £3.109 million, or 4.30% of the amended budget. Appendix 6 details the significant projects where there is slippage that has not been previously reported.

Capital Receipts

- 3.12 Capital receipts are used to support the capital programme. For 2009/10 capital receipts (excluding 'right to buy' sales) totalled £1.038 million. Major receipts included the long leasehold disposal of part of the Wellsbourne Centre site, the lease restructure for the Brighton Marina and the licence fee in respect of the Community Stadium.
- 3.13 The level of sales of council homes through 'right to buy' has been severely affected by the current market conditions in house prices generally and the higher cost and availability of mortgages in the current economic climate. The Government receive 75% of the proceeds of 'right to buy sales'; the remaining 25% is retained by the council and used to fund the capital programme. The net receipts for 'right to buy' sales in 2009/10 is £0.234 million.

Comments by the Director of Finance & Resources

- 3.14 The provisional outturn position on the revenue budget shows a small improvement since month 9. Every effort was made at the time that the budget for 2010/11 was set to ensure the 2009/10 forecasts were as accurate as possible. These took into account the impact of anticipated in-year savings, and the outturn position has shown this process to have been robust. The impact of the adverse weather on the overall outturn position was significant. Since it took place towards the end of the financial year there was limited scope to deliver further savings in-year to offset the additional expenditure and lost income.

- 3.15 Given national economic climate directorates will need to maintain control and downward pressure on costs in 2010/11 and deliver the objectives set out in the corporate value for money programme. Financial recovery plans will be prepared for the ongoing consequences of the outturn position on the new financial year and these will be reported in the Target Budget Management report for month 4 at Cabinet in September. While a substantial proportion of the pressures were incorporated into the overall budget plans for 2010/11 it is expected that there will continue to be significant financial risks in relation to social care budgets, particularly for children's services.

4. CONSULTATION

- 4.1 No specific consultation was undertaken in relation to this report.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The financial implications are covered in the main body of the report.

Legal Implications:

- 5.2 In reaching its decisions in relation to its budget, the Council needs to have regard to a number of general points. It must provide the services, which, statutorily, it is obliged to provide. Where there is power to provide services, rather than a duty, it has discretion to provide such services. It must observe its other legal duties, such as the duty to achieve best value and comply with the Human Rights Act 1998. It must act in accordance with its general fiduciary duties to its Council Tax payers to act with financial prudence. Finally, it must bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit Council Tax & precepts.

Lawyer consulted:

Oliver Dixon

Date: 26/05/10

Equalities Implications:

- 5.3 There are no direct equalities implications arising from this report.

Sustainability Implications:

- 5.4 There are no direct sustainability implications arising from this report.

Crime & Disorder Implications:

- 5.5 There are no direct crime & disorder implications arising from this report.

Risk & Opportunity Management Implications:

- 5.6 The council's revenue budget and Medium Term Financial Strategy contain risk provisions to accommodate emergency spending, even out cash flow movements and/or meet exceptional items. The council maintains a working balance of £9 million to mitigate these risks as recommended by the Audit Commission and Chartered Institute of Public Finance & Accountancy (CIPFA). The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

Corporate / Citywide Implications:

- 5.7 The Council's financial position impacts on levels of Council Tax and service levels and therefore has citywide implications.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 The forecast outturn position on council controlled budgets is an underspend of £0.235 million, any underspend will be added to unallocated general reserves unless approval is given to allocate funds to specific reserves or contingencies.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 Budget monitoring is a key element of good financial management, which is necessary in order for the council to maintain financial stability and operate effectively.
- 7.2 The capital budget changes are necessary to maintain effective financial management.

SUPPORTING DOCUMENTATION

Appendices:

1. Directorate Revenue Outturn Forecasts
2. Achievement of Efficiency Savings
3. Corporate Critical Budgets Activity Data
4. Capital Outturn Summary
5. Proposed Capital Budget Re-profile Requests
6. Proposed Capital Slippage
7. Capital Outturn Variances
8. New Capital Schemes

Documents in Members' Rooms

None.

Background Documents

None.

Adult Social Care

Forecast Variance Month 9 £'000	Division	2009/10 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
729	Adult Social Care	38,110	38,930	820	2.2%
729	Total	38,110	38,930	820	2.2%

Explanation of Key Variances

The overspend of £0.820 million is after the delivery of a financial recovery plan of £0.532 million on community care to deal with the significant pressures being experienced, in particular growth in home care and residential care for people with physical disabilities.

The overspend has increased by £0.091 million (0.2% of budget) since TBM9, due mainly to planned reductions in Community Care spend not materialising.

Strategies and associated management actions put in place during the year have helped to offset in year pressures and reduced the overspend. Actions included:

- Ensuring appropriate funding streams are used to meet the costs of complex need cases and Disabled Living Allowance /Independent Living Fund are maximised.
- Robust application of Fair Access to Care Services criteria;
- Maximising benefits and ensuring that attendance allowance and other benefits are used to purchase domiciliary and other 'low level' requirements;
- At review, ensuring that Fair Access to Care Services criteria is applied and care repackaged to ensure new services are fully utilised (e.g. Community Solutions/Telecare etc.);
- Operating a vacancy control system and controls over agency staff costs.

Children & Young People's Trust

Forecast Variance Month 9 £'000	Division	2009/10 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
(726)	Director	695	(86)	(781)	-112.4%
1,585	Area Integrated Working	30,698	32,350	1,652	5.4%
138	Learning , Schools & Skills	5,083	4,993	(90)	1.8%
903	Commissioning & Governance	13,064	14,241	1,177	9.0%
1,948	Total	49,540	51,498	1,958	4.0%

Explanation of Key Variances

Director (£0.781 million underspend) - this budget area relates to the staffing budget of the Director, Assistant Directors and administration support teams. This budget area underspend mainly related to unallocated budget to offset the overall Directorate position, in particular the decision to switch £0.682 million from Dedicated Schools Grant (DSG) funding of Area Based Grant (ABG) areas in view of the size of the directorate overspend.

Area Integrated Working (£1.652 million overspend), this branch leads on the development of integrated area working, including early intervention and prevention. Area working includes the Youth Service, Children's Centres, Education Psychology Service (EPS), Education Welfare Service (EWS), frontline social work teams; Leaving Care team and the Fostering Service.

Area Social Work Teams overspent by £0.062 million due mainly to agency/sessional staff and transport costs. Legal fees are included within this division and these overspent by £0.912 million. Legal expenses increased due to changes in the law by the Public Law Outline (PLO). This was due to several factors, primarily the significant increase in the number of children being referred for care proceedings in line with the national trend. In addition, Court Fees have been increased by the Ministry of Justice and Court issue fees have increased from £175 to over £4,000 per fully contested case.

The other main overspend within this branch is £0.446 million on Preventative Payments. This relates to the ongoing costs relating to homeless families, payments to 'friends & relatives' carers and provisions.

The forecast reflects the requested contribution to a Connexions/Prospects Pension Reserve Account as explained in the main body of the report.

Learning, Schools & Skills (£0.090 million underspend), this branch has responsibility for disability and educational agency placements, school admissions and transport, school funding including Schools Forum and Healthy Schools. The AD also leads on involving schools in the next phase of development of the Children and Young People's Trust. The main area of overspend related to Home School Transport £0.138 million offset by underspends on disability agency placements £0.087million, and other areas £0.141 million.

Commissioning & Governance (£1.177 million overspend), this branch is involved in taking the lead on ensuring best outcomes for Children in Care and also leads on behalf of the Children and Young People's Trust and Brighton & Hove PCT on the commissioning of services for children, young people and their families. In addition the branch is responsible for the budget for individual placements for children and developing the new Children and Young People's Plan which will drive the next phase of the CYPT. More information on the corporate critical overspend can be found in Appendix 3. There has been a significant and sustained increase in activity in terms of referrals to social care (at times up to 61%) following Baby P and the Laming recommendations. This has resulted in a 33% increase in the number of children with a child protection plan and a 12% increase in the number of looked after children from July 2008 to June 2009. The main area of overspend in this area related to Independent Foster Agency Placements of £1.110million.

A plan was put into place during the financial year to address the overspend and included a number of short, medium and longer term actions.

In summary the actions included:

- Realignment of existing prevention provision to target families most at risk
- Review of placements for Looked After Children on an agreed cycle
- Targeted recruitment of in-house foster carers
- Review use of mother and baby placements
- Review of contracted services and application of VFM approach
- Develop proposals for permanency planning
- Review of costs relating to court proceedings/use of experts and ISW's

It is difficult to quantify the effect the actions outlined above have had on the outturn position, although the financial impact will be greater in 2010/11 as the full year implications are realised.

Finance & Resources

Forecast Variance Month 9 £'000	Division	2009/10 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
(214)	Finance	5,194	5,032	(162)	-3.1%
(191)	ICT	5,644	5,277	(367)	-6.5%
(217)	Customer Services	3,544	3,293	(251)	-7.1%
478	Property & Design	2,200	2,699	499	22.7%
(144)	Total	16,582	16,301	(281)	-1.7%

Explanation of Key Variances

Finance underspent due to a reduction in external audit fees resulting from productivity improvements within the Internal Audit service which now undertakes work previously conducted by external audit and higher than normal levels of staff turnover and associated vacancy management actions that were in place to assist the overall financial position.

ICT underspent due to one-off savings on licence agreements and staff turnover/vacancy management. The underspend improved in the last quarter due to increased cost recovery and savings on software costs.

The main pressure in Customer Services related to a shortfall in income on land charges and Bereavement Services of £0.110 million. The shortfall on land charges of £0.080 million is due to the downturn in the housing market and the competition from private sector search companies. These pressures were offset by the corporate critical Housing Benefit budget which was £0.624 million under budget. Additional subsidy was received as local authority errors were held below the government threshold and therefore attracted additional subsidy. Further subsidy was also received following the audit of the 2008/09 final subsidy claim. The outturn on Housing Benefits is very difficult to predict accurately due to the significant value of transactions (circa. £170 million) as a small change in performance can have a significant impact on the net outturn. Savings were also generated on salary budgets within Revenues & Benefits.

The Customer Services outturn includes contributions to a grounds maintenance reserve in Bereavement Services and a Land Charges reserve, which are explained in more detail in the main body of the report.

Property & Design had a shortfall against commercial rent income of £0.400 million. The main loss is due to rent/lease renewals being on lower terms than expected due to the economic downturn; overall there has also been a slight increase in the number of voids. Income on this budget is particularly sensitive to the current market conditions and is being monitored very closely. Various measures are in place to manage and minimise the existing pressure, such as aggressive marketing, offering small businesses the option to pay rent in monthly instalments rather than quarterly, and negotiating short term lets to minimise voids. The shortfall against budget would have been approximately double without such action.

Strategy & Governance

Forecast		2009/10	2009/10	2009/10	2009/10
Variance	Division	Budget	Outturn	Variance	Variance
Month 9		Month 12	Month 12	Month 12	Month 12
£'000		£'000	£'000	£'000	%
(30)	Improvement & Organ Devel	1,646	1,571	(75)	-4.6%
0	Legal & Democratic Servs	3,157	3,131	(26)	-0.8%
0	Policy Unit	3,618	3,633	15	0.4%
(80)	Human Resources	4,921	4,793	(128)	-1.3%
40	Executive Office	574	650	76	13.2%
114	Communications	587	859	272	46.3%
44	Total	14,503	14,637	134	1.4%

Explanation of Key Variances

The key financial pressures in Strategy & Governance relate to the Communications budget. Partly these have arisen from shortfalls in income generation and cost recovery. In addition work has been carried out to unify the council's identity and ensure greater consistency and effectiveness of the council's engagement with residents that should have long term benefits for the city. A Value for Money review of communications has been undertaken and proposals developed to ensure more savings can be made in this area from 2010/11.

Actions were taken elsewhere in the Directorate to offset this overspend during 2009/10, carefully monitoring all budget areas, minimising cost and increasing all available income where possible to try and achieve breakeven. The recharging of appropriate costs of supporting project work by Human Resources has contributed to this.

Environment

Forecast Variance Month 9 £'000	Division	2009/10 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
(1)	City Services	21,973	22,133	160	0.7%
(188)	Sport & Leisure	1,999	1,864	(135)	-6.8%
1,002	Sustainable Transport	(659)	132	791	120.0%
(85)	Public Safety	5,441	5,334	(107)	-2.0%
304	City Planning	2,752	3,252	500	18.2%
1,032	Total	31,506	32,715	1,209	3.8%

Explanation of Key Variances

City Services is £0.160 million over budget due to additional costs resulting from the adverse winter weather.

Sport & Leisure underspent due to additional income and efficiency measures within the service.

The total forecast for Sustainable Transport is an overspend of £0.791 million, an improvement of £0.211 million since month 9. The variance is analysed as below:

- Penalty charge income fell short of budget by £0.412 million; there were 11% fewer tickets issued than for the previous year.
- Income from all on-street and off-street parking and permit income came in under target by £0.651 million. Permit income exceeded budget, as did the newly refurbished London Road Car Park. The Lanes Car Park exceeded targets for the latter part of the year, post refurbishment, despite the poor weather, but came in over budget for the year due to the reduced capacity at the start of the year. All other off street car parks came in slightly better than budget. On street parking revenue was hit hard by the extreme weather in December and January, and the lack of take up for the new Preston park scheme.
- A reduction in the level of expenditure on supplies and services led to an underspend against budget of £0.207 million.

The Public Safety underspend of £0.107 million is due to vacancy management savings and underspends on associated work in Trading Standards.

The City Planning overspend of £0.500 million is partly due to the loss of Housing and Planning Delivery Grant which was not confirmed until late in the financial year and a reduction in income from planning fees even though the number of planning applications remained comparatively high. Other pressures included additional staff costs in Development Control and the cost of supporting planning appeals.

Housing, Culture & Enterprise

Forecast Variance Month 9 £'000	Division	2009/10 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
190	Tourism & Venues	1,713	1,960	247	14.4%
-	Libraries & Information Servs	3,036	2,973	(63)	-2.1%
229	Royal Pavilion & Museums	2,223	2,520	297	13.4%
(66)	Culture & Economy	3,136	2,995	(141)	-4.5%
	Major Projects & Regeneration	611	604	(7)	-1.1%
-	Housing Strategy	4,688	4,719	31	0.7%
353	Total	15,407	15,771	364	2.4%

Explanation of Key Variances

The Directorate instigated management action to attempt to contain the forecast overspend and progress towards a balanced position. This included tight control on filling vacant posts, spending only on essential items of supplies and services and tight accountability.

Tourism and Venues overspend increased from £0.190 million to £0.247 million mainly due to entertainment shortfalls, which totalled £0.189 million for the year. The adverse weather conditions contributed to this, with a reduced footfall for Holiday on Ice and a consequent reduction in income. There was also a business rates revaluation which led to overspends of £0.050 million. Venues are to put tighter controls on the casual staff budget and maximise recharges to promoters.

Libraries and Information Services achieved underspends of £0.063m compared to an on target position at month 9. This was due mainly to underspends in supplies and services and a small overachievement of income.

Royal Pavilion and Museums overspend increased from £0.229 million to £0.297 million, mostly due to continuing income underachievement. Overall, income at the Royal Pavilion and Museums was £0.386 million below target, an element of this related to two periods of severe winter weather when visitors were unable to make visits due to, for example, lack of public transport and treacherous road and pavement conditions. Furthermore the heating failed in the Royal Pavilion and was forced to close for 5 days. However, even when open, visitor numbers were down considerably with the weather conditions. Together with energy pressures of £0.125 million these pressures were partly offset by vacancy management and other efficiencies within the service. Additional actions included retail product introduction and driving up profit margins; introduction of events to compensate for losses on corporate functions and weddings.

Culture and Economy increased its underspend from £0.066 million to £0.141 million mainly due to increased income and vacancy management within Supported Employment.

Centrally Managed Budgets

Forecast Variance Month 9 £'000	Division	2009/10 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
(300)	Bulk Insurance Premia	2,827	2,330	(497)	-17.6%
(400)	Concessionary Fares	7,345	6,805	(540)	-7.4%
-	Area Based Grant	(13,954)	(13,954)	-	0.0%
(400)	Capital Financing Costs	3,994	3,396	(598)	-15.0%
-	Levies & Precepts	195	195	-	0.0%
(2,875)	Other Corporate Items	1,089	(1,759)	(2,848)	-261.5%
(3,975)	Total	1,496	(2,987)	(4,483)	-299.7%

Explanation of Key Variances

The outturn on Bulk Insurance Premia is an underspend of £0.497 million due in the main to the number and size of insurance claims during the year being less than anticipated. £0.100 million of the improved position relates to a contingency no longer needed for a policy excess on a large personal injury claim.

The concessionary fares underspend is due in the main to a sustained reduction in journey numbers to those originally budgeted for.

The underspend on Financing Costs is due to the council repaying debt primarily to reduce the council's exposure to investment risk, this has resulted in a net saving to the council. The position has improved in the last quarter due to higher than forecast investment income earned by our Cash Managers in March, and a higher value of cash flow investments than forecast in the last part of the year.

Under 'Other Corporate Items', the main variance is a saving of £1.275 million due to the pay award being confirmed at 1%, which is lower than the 2% included in the budget. The 2009/10 budget also included a contingency provision of £0.750 million which was used to offset general in-year pressures relating to social care demand and the economic situation.

Section 75 Partnerships

Forecast Variance Month 9 £'000	Division	2009/10 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
79	Council managed S75 Servs	23,710	23,754	44	0.2%
493	NHS Trust managed S75 Servs	13,486	13,486	-	0.0%
572	Total S75	37,196	37,240	44	0.1%

Explanation of Key Variances

Council managed S75 services (Learning Disabilities) delivered within 0.1% of budget and achieved £1.781million against the financial recovery plan of £1.971million for 2009/10. Further savings of £0.146 million were achieved across both in-house and community care budgets through expenditure control.

NHS Trust managed S75 services overspent by £0.527 million which has been balanced by contributions as set out below:

- Sussex Partnership Foundation Trust (SPFT) – Mental Health & Substance Misuse overspent by £0.450 million due to increases in the number and cost of residential placements in Adult Mental Health.
- South Downs Health Trust (SDHT) – overspent by £0.077 million, due to a staffing pressure on intermediate care services.

Generally, the S75 Partnership Agreements require the Integrated Service Providers (Sussex Partnership Foundation Trust and South Downs Health Trust) to manage in-year cost pressures and carry this risk, subject to any agreement by the partners to vary risk-sharing provisions within the agreements. However, in practice, overspends can arise for a combination of unplanned provider and/or commissioning reasons and therefore overspends often need to be resolved jointly by commissioners and the providers.

For 2009/10 the Sussex Partnership Foundation Trust overspend of £0.450 million has been met from the one-off application of a Joint Commissioning Pot held for the development of mental health services (agreed by Joint Commissioning Board). South Downs Health Trust have been requested to fund the overspend against the services through the overall pooled budget.

Housing Revenue Account (HRA)

Forecast Variance Month 9		2009/10 Budget Month 12	Forecast Outturn Month 12	Forecast Variance Month 12	Forecast Variance Month 12
£'000	Housing Revenue Account	£'000	£'000	£'000	%
(398)	Employees	9,320	9,021	(299)	-3.2%
187	Premises – Repair	12,565	12,730	165	1.3%
55	Premises – Other	3,055	3,048	(7)	-0.2%
47	Transport & Supplies	2,099	1,832	(267)	-12.7%
(69)	Support Services	2,251	2,185	(66)	-2.9%
140	Revenue contribution to capital	3,220	3,390	170	5.3%
(742)	Capital Financing Costs	4,356	3,580	(776)	-17.8%
1,101	Subsidy Payable	11,083	12,238	1,155	10.4%
321	Net Expenditure	47,949	48,024	75	0.2%
(11)	Dwelling Rents (net)	(41,168)	(41,172)	(4)	0.0%
5	Other rent	(1,222)	(1,204)	18	1.5%
94	Service Charges	(3,861)	(3,676)	185	4.8%
(51)	Supporting People	(564)	(525)	39	6.9%
(22)	Other recharges & interest	(1,134)	(1,167)	(33)	-2.9%
15	Net Income	(47,949)	(47,744)	205	0.4%
336	Total	-	280	280	

Explanation of Key Variances

The provisional outturn shows an overspend of £0.280 million, a reduction in spend by £0.056 million compared to the Month 9 forecast.

Employees underspent by £0.299 million due to the pay award being lower than anticipated and vacancy management.

Premises - Repairs shows an overspend of £0.165 million, an decrease of £0.022 million compared to month 9. This includes the following variances:-

- Responsive Repairs has overspent by £0.630 million, an increase of £0.233 million compared to month 9. It was previously reported that this overspend was mainly due to high levels of expenditure during the early part of the year relating to additional works not in the base contract, such as damp proofing, being undertaken. During the winter months there was an increased level of works made necessary by the extreme weather.
- This overspend has been partly mitigated by the delay in implementing new service contracts (£0.203 million, now programmed to be implemented during 2010), efficiencies realised in the decorations contract (£0.102 million) and an underspend of £0.075 million on the programmed works budget.

Transport & Supplies has underspent by £0.267 million compared to a forecast overspend of £0.047 million at month 9. This includes the following variances:-

Item 16 Appendix 1

- A reduction of £0.132 million in the contribution towards the provision for bad debt following an improvement in rent collection and arrears.
- An underspend of £0.050 million on payments relating to Bed and Breakfast accommodation due to improved processes ensuring Housing Benefit is claimed.
- The balance of the underspend is due to various efficiencies across housing management office expenditure.

Revenue Contributions to Capital, overspent by £0.170 million. This was made up of £0.140 million relating to 6 major voids approved at TMT/Cabinet on 29 June 2009 and £0.030 million relating to fire risk works that have been accounted for in the capital programme.

It was previously reported that the current economic situation has led to a change in the corporate policy towards Treasury management. In order to substantially reduce the exposure to risk the council has prematurely repaid some £57 million of debt. This early repayment has also benefited the council by reducing capital financing costs of which the HRA has seen a reduction of £0.759 million, (i.e. £0.776 million capital financing costs underspend net of £0.017 million interest reduction shown under Income). However, for the HRA, due to the complexities of the subsidy system, there is also an increase of £1.155 million Housing Subsidy payable to central government resulting in a net overspend of £0.396 million. The council will continue to monitor the financial markets and, when there are signs that the markets are returning to a more stable and secure outlook, these interim measures will be withdrawn and new borrowing will be raised.

Service Charges under achievement of income has increased to £0.185 million compared to £0.094 million in month 9. This increase is mainly due to an underachievement of leaseholder charges following lower than anticipated charges being levied.

ACHIEVEMENT OF THE EFFICIENCY SAVINGS 2009/10

	Budget £'000	Outturn £'000	Variance £'000	Explanation
Adult Social Care & Housing				
Adult Social Care	(1,063)	(843)	220	Limited savings possible from better procurement of supported housing options
Sub-Total	(1,063)	(843)	220	
CYPT				
Directorate Restructure	(540)	(325)	215	The underachievement relates to IFA's and in-house foster placements which did not continue the expected downward trend of the previous year following the impact of Baby P and the Laming Report.
Central Area and Schools Support	(50)	(50)	0	
Specialist Services	(450)	0	450	The underachievement relates to IFA's and in-house foster placements which did not continue the expected downward trend of the previous year following the impact of Baby P and the Laming Report.
Sub-Total	(1,040)	(375)	665	
Finance & Resources				
Finance	(192)	(192)	0	
ICT	(350)	(350)	0	
Customer Services	(575)	(540)	35	Shortfall in Life Events income generation
Property & Design	(115)	(115)	0	
Sub-Total	(1,232)	(1,197)	35	
Strategy & Governance				
Director	(8)	(8)	0	
Improvement & Organ Devel	(28)	(28)	0	
Legal & Democratic Services	(36)	(36)	0	
Executive Office	(10)	(10)	0	
Human Resources	(53)	(53)	0	
Sub-Total	(135)	(135)	0	
Environment				
City Services	(1,660)	(1,660)	0	
Leisure			0	
Sustainable Transport	(50)	(50)	0	
Public Safety			0	
City Planning			0	
Sub-Total	(1,710)	(1,710)	0	
Culture & Enterprise				
Libraries & Information services	(20)	(20)	0	
Royal Pavilion & Museums	(56)	(56)	0	
Tourism	(10)	(10)	0	
Economic Development & Regeneration	(138)	(138)	0	
Major Projects and Venues	(15)	(15)	0	
Housing Strategy	(145)	(236)	(91)	
Sub-Total	(384)	(475)	(91)	

PROGRESS AGAINST THE ACHIEVEMENT OF THE 2009/10 EFFICIENCY SAVINGS

	Budget	Forecast	Variance	
	£'000	£'000	£'000	
Section 75 : Learning Disabilities				
Council Lead Learning Disabilities	(800)	(518)	282	
Sub-Total	(800)	(518)	282	
Health Led Section 75 arrangements				
Intermediate Care	(63)	(63)	0	
Sub-Total	(63)	(63)	0	
Total	(6,427)	(5,316)	1,111	
Housing Revenue Account				
Employees	(94)	(94)	0	
Supplies & Services	(45)	(45)	0	
Repairs -Responsive/Empty Properties/service contracts	(181)	381	562	Saving not achieved due to additional works not in the base contract and increased works during the winter months. The new contract commenced 1 April 2010 will reduce the cost of responsive repairs.
Repairs - Gas Servicing savings under supplies & services	(198)	(198)	0	
Repairs - Gardening Older People	(20)	(30)	(10)	Efficient procurement of gardening contract has achieved more than anticipated savings
Support Services	(63)	(63)	0	
Total	(601)	(49)	552	

CAPITAL PROVISIONAL OUTTURN REPORT 2009/10

	2009-10 Budget	Budget Reprofiles	Amended Budget	2009-10 Outturn	2009-10 Slippage	2009-10 (Savings) / Overspends
Directorate	£'000	£'000	£'000	£'000	£'000	£'000
Strategy & Governance	821		821	517	304	-
Culture & Enterprise	1,168	(61)	1,107	966	141	-
Finance & Resources	4,210		4,210	3,673	483	(54)
Adult Social Care & Housing	11,349		11,349	11,216	133	-
Housing Revenue Account (HRA)	17,620	(429)	17,191	16,820	296	(75)
Children & Young People's Trust	21,529	(1,127)	20,402	19,858	1,076	532
Environment	17,951	(737)	17,214	15,943	1,425	154
Total Council Budgets	74,648	(2,354)	72,294	68,993	3,858	557

Summary of reprofiles of budget due to factors outside the Council's control

Schemes	2009/10 Budget £'000	2010/11 Budget £'000	Total Changes £'000
Culture & Enterprise			
Detailed Reprofiles in appendix 4 (over £50,000)	(61)	61	-
Children & Young People's Trust			
Detailed Reprofiles in appendix 4 (over £50,000)	(1,127)	1,127	-
Adult Social Care & Housing (HRA)			
Detailed Reprofiles in appendix 4 (over £50,000)	(429)	429	-
Environment			
Detailed Reprofiles in appendix 4 (over £50,000)	(737)	737	-
Total Changes to Budgets	(2,354)	2,354	-

Detailed explanations of the reprofiles

Culture & Enterprise

Directorate: Cultural Services	Approved Budget: £230,840
Project Title: New Historical Records Office	Revised Budget: £169,840
	Variation: £(61,000)

The new Historic Records Office project known as The Keep was unsuccessful in gaining Heritage Lottery Grant. The project team have explored alternative options to deliver the project with less resources and this has lengthened the development stage into 2010/11. A report is due to be presented to Cabinet on 22nd July 2010 that will update on the progress of the project including the stage D design and the business plan for the ongoing operation of the facility.

Directorate: CYPT	Approved Budget: £6,056,000
Project Title: Falmer Academy	Revised Budget: £4,929,290
	Variation: £(1,126,710)

The original capital expenditure forecast was based on approval of the Final Business Case (FBC) by Partnerships for Schools (PfS) in late October 2009 leading to an effective start on site on 25th November 2009.

Item 16 Appendix 5

The FBC approval process also involved approval of the inter-related Main Works Design and Build Contract, the Development Agreement and the Long Lease Agreement. Due to the extensive, detailed involvement of legal representatives, the Academy Trust, the Contractor and PfS, the timescale for completion of this documentation extended and PfS approval was not issued until 4th January 2010.

Although a nominal start on site was achieved on 25th November 2009, significant early orders and full Contractor mobilisation could not be authorised pending receipt of formal approval which led to an effective start of site operations on 25th January 2010. Subsequently, the early progress of the work was severely affected by the exceptionally inclement winter weather which impacted on deliveries to site and the early groundworks and concreting operations.

The Contractor has made all possible efforts to mitigate these initial delays by re-sequencing the Works and focussing on critical path activities. Although the overall project progress is currently slightly behind the agreed Contract programme, all of the critical path activity start dates have been achieved and it is anticipated that the programme delays will shortly be retrieved.

Environment

Directorate: Environment	Approved Budget: £930,000
Project Title: CIVITAS	Revised Budget: £643,330
	Variation: £(286,670)

The budget reported against is the budget set out in the original CIVITAS bid document, accepted by Cabinet in October 2008. In September 2009 the council was given the opportunity to revise the bid based on better information regarding specific requirements at project and programme level. As of yet this revised bid has been informally, but not formally accepted by the European Commission. Until such a time as the reprofiled budget is formally accepted by the European Commission, the council is obliged to report against original budgets, even though these are recognised as being out of date. It is also important to note that the CIVITAS funding year is different to the council financial year (ending in September rather than March), allowing flexibility over fund profiling. The project timetable has not been affected by the apparent slippage, and the CIVITAS programme will still be delivered within its allotted 4 year lifecycle.

Directorate: Environment	Approved Budget: £450,000
Project Title: Refuse Vehicle Replacement	Revised Budget: £0
	Variation: £(450,000)

The vehicles were ordered on 21st January, with a lead time of six weeks from the contractor. However a delay in the manufacture of bin lifts at the Terberg plant in Holland meant that the lifts were unable to be fitted causing the delay.

Adult Social Care and Housing

HRA Capital Schemes

Directorate: Housing (HRA)	Approved Budget: £145,000
Project Title: Building Elements & Design	Revised Budget: £95,000
	Variation: £(50,000)

The requirement for the digitisation of building plans/information is still ongoing. The staff member who was in charge of this project left our employment, and due to a department restructure there was a delay in the recruitment of their replacement. We are now in the process of recruiting a Health and Safety Manager to continue with this project. Unfortunately this has meant that our full financial resource was not expended during 2009/10 and will continue into 2010/11.

Directorate: Housing (HRA)	Approved Budget: £200,000
Project Title: ICT Capital Budget	Revised Budget: £80,000
	Variation: £(120,000)

The Housing ICT Capital budget for 2009/10 included ICT setup costs associated with the 10 year Repairs & Maintenance contract. There was an assumption that the new Housing Repairs 'Supercentre' building in Moulsecoomb would be commissioned during 2009/10. Although planning permission has been successfully obtained there have been delays experienced in negotiating the lease meaning the building did not become available and the associated ICT costs need to be re-profiled into 2010/11.

The majority of costs relate to the ICT infrastructure required for the building including telephone infrastructure, communications lines and equipment. The building is now due to be commissioned during the summer/autumn of 2010.

Directorate: Housing (HRA)	Approved Budget: £331,800
Project Title: Procurement of Long Term Arrangements	Revised Budget: £196,800
	Variation: £(135,000)

There are two main aspects relating to this re-profile request;

The Council has five service contracts that are in the procurement preparation stage. Work is progressing on the procurement of these contracts but is still ongoing due to complexities of the specifications and contract types. Finalisation of the contracts will be in 2010/11 and therefore legal-procurement and consultancy costs will be incurred in 2010/11.

Although planning has been successfully obtained, there has been delays experienced in negotiating the lease for the super-centre building at Mouslecoomb. The knock on effect of this delay has meant that some of the costs which would have been incurred in the last quarter of 2009/10 will now be required in the first and second quarters of 2010/11.

Directorate: Housing (HRA)	Approved Budget: £527,400
Project Title: Conversion of Shared Facilities	Revised Budget: £403,400
	Variation: £(124,000)

The budget for conversion of shared facilities, which are properties currently without their own bathrooms or WC's, was approved in July 2009 with £0.508 million allocated to 2009-10. This allocation was based on the assumption that the works would receive planning and other permissions, and the properties themselves would be available for the works to commence and be completed within the financial year.

Both the planning and delivery phases of the project were delayed substantially by some of the blocks of flats involved becoming unavailable for a variety of reasons, including squatting, for several months. The project costs have been reviewed and amended to reflect the anticipated cost required to deliver this project.

Summary of Slippage from 2009/10 to 2010/11

Slippage Summary	2009/10 Budget £'000	2010/11 Budget £'000	Total Changes £'000
Strategy & Governance			
Slippage over £50,000 (previously reported)	(279)	279	-
Interplan	(25)	25	-
Total Strategy & Governance	(304)	304	-
Culture & Enterprise			
Slippage over £50,000 (detailed in appendix)	-	-	-
Royal Pavilion Toilet Facilities	(32)	32	-
Contact Centre, Ticket & Web Build	(20)	20	-
Brighton Centre Redevelopment	(40)	40	-
Economic Development Schemes	(20)	20	-
Projects & Venues (Major projects) schemes	(24)	24	-
Library Management System	(5)	5	-
Total Culture & Enterprise	(141)	141	-
Finance & Resources			
Slippage over £50,000 (detailed in appendix)	(103)	103	-
Slippage over £50,000 (previously reported)	(165)	(165)	-
Electronic Document Records Management	(15)	15	-
Corporate GIS	(33)	33	-
Other ICT schemes	(17)	17	-
Replacement of Financial Information System	(20)	20	-
Statutory DDA works	(35)	35	-
Asset Management Fund	(20)	20	-
New England House	(31)	31	-
Madeira Lift	(31)	31	-
Other Planned Maintenance Schemes	(13)	13	-
Total Finance & Resources	(483)	483	-
Adult Social Care & Housing			
Slippage over £50,000 (detailed in appendix)	(96)	96	-
Places for change programme	(20)	20	-
Other Adult Social care Schemes	(17)	17	-
Total Adult Social Care & Housing	(133)	133	-
Adult Social Care & Housing (HRA)			
Slippage over £50,000 (detailed in appendix)	(270)	270	-
Mechanical & Electrical Works	(21)	21	-
Door Entry Systems	(5)	5	-
Total HRA	(296)	296	-

Environment			
Slippage over £50,000 (detailed in appendix)	(597)	597	-
Slippage over £50,000 (previously reported)	(828)	828	-
Total Environment	(1,425)	1,425	-
Children & Young People's Trust			
Slippage over £50,000 (detailed in appendix)	(151)	151	-
Slippage over £50,000 (previously reported)	(805)	805	-
Children's Centres Phase 3	(17)	17	-
Extended Schools Childcare	(32)	32	-
Capital Learning Fund	(19)	19	-
NDS Modernisation	(9)	9	-
Children's Social Service	(43)	43	-
Total Children & Young People's Trust	(1,076)	1,076	-
Total Changes to Budgets	(3,858)	3,858	-

Details of slippage of £50,000 or more

Directorate: CYPT	Approved Budget: £732,690
Project Title: Sure Start Grant – Early Years	Revised Budget: £581,560
	Variation: £(151,130)

This Sure Start grant funding is in relation to a number of projects and the delays have been due to several factors;

- a service provider not being available to take over a project when planned resulting in a delay in equipping the building (for security issues)
- a contractor being appointed later than anticipated due to the initial tenders being in excess of the original budget and renegotiations being necessary; as well as asbestos being found in the building which had to be removed before the building work could start.

The grant funding was allocated for the three year period 2008/9, 2009/10 and 2010/11 and all of the projects will all be completed within the allowed timescale. It will not be necessary to provide alternative service provision. It is within the terms and conditions of the grant to carry forward the funding to 2010/11.

Directorate: Finance & Resources	Approved Budget: £153,100
Project Title: Legionella Works	Revised Budget: £ 50,100
	Variation: £(103,000)

The contract involves work on several properties. Delays to this year's programme have been caused by a variety of factors, including; access issues at various sites and waiting for landlord's consent, reliance on external partners to carryout proceeding

services and changes made to the programme due to unforeseen works and additional sites being added. The overall work is scheduled to be completed early in the new financial year.

Adult Social Care and Housing

Directorate: Adult Social Care & Housing	Approved Budget: £9,743,310
Project Title: BEST Private Sector Housing	Revised Budget: £9,647,450
	Variation: £(95,860)

1% of the BEST capital budget for 2009/10 was not spent. This was due to a small delay on the delivery of larger scale heating installation in a number of houses in multiple occupations delivered through the HMO Energy Innovation Grant Scheme. Expenditure under this grant scheme is dependent upon completion of works by individual applicants following approval of applications for housing renewal assistance. Completion was expected in March 2010, however due to small delays, was actually delivered in early May 2010. The funding for this project comes in the form of a grant which can be carried over. The project timetable was delayed by two months with completion of the project made in early May 2010

HRA Capital Schemes

Directorate: Adult Social care & Housing (HRA)	Approved Budget: £368,400
Project Title: St James House Car Park	Revised Budget: £53,400
	Slippage: £(270,000)
	Underspend £(45,000)

The costs incurred for the proposed St James house car park improvement work during 2009/10 have been for consultative surveys and proposals to overcome structural and boiler problems at St James House car park.

The progress on this project has been delayed due to two main contributing factors which are;

- 1) The need to replace the existing communal gas boiler which has meant exploring options to re-site the boiler and run the flue-dilution through the car park with the intention of carrying out both the boiler and car-park work at the same time. Finding an appropriate solution and location of the new boiler has and is continuing to be problematic.
- 2) The remedial work to the car-park is far more extensive than originally anticipated and we are seeking further structural survey information to assess accurately the work requirement and update the costs of the car park works.

It is anticipated that proposals for both the boiler replacement and the car park works will be prepared by mid-summer 2010.

Item 16 Appendix 6

The resources of £0.270 million will be carried forward to the 2010/11 HRA Capital programme and added to £0.335 million budget already in the 2010/11 programme for St James House Car Park. The remainder of the variation is an underspend.

Environment

Directorate: Environment	Approved Budget: £253,000
Project Title: Volks Railway Shed	Revised Budget: £8,130
	Variation: £(244,870)

Only a small proportion of the budget has been spent so far as a final scheme has not yet been confirmed. It is proving difficult to develop a proposal which is financially viable due to the variety of constraints of this seafront site and the requirements of Heritage Railway.

Directorate: Environment	Approved Budget: £166,900
Project Title: Horsedean Travellers Site Improvements	Revised Budget: £107,890
	Variation: £(59,010)

The delays in completing refurbishment work at the transit site were beyond the council's control in that contractors failed to complete the scheduled works in the agreed timescales.

The transit site reopening has been delayed by several months resulting in us being unable to provide transit pitches for travellers visiting the city.

Directorate: Environment	Approved Budget: £1,308,930
Project Title: King Alfred – Health & Safety Works	Revised Budget: £1,015,930
	Variation: £(293,000)

Cabinet agreed on 11 June 2009 an additional allocation of £0.641 million on top of the existing 2009/10 budget of £0.718 million making a total budget of £1.359 million for the urgent King Alfred Health & Safety works. Cabinet also agreed on 11 February 2010 to reprofile £0.050 million into 2010/11 thus providing a total budget of £1.309 million.

The spend in 2009/10 was £1.016 million leaving a variance of £(0.293) million to be carried forward to 2010/11 in order to complete the Health and Safety urgent works. The scope of the Health and Safety works continues to develop as further requirements are identified. The £0.293 million will fund work that has been identified towards the end of 2009/10 which will need to be carried out during 2010/11.

Explanations of overspends (and underspends) of over £50,000**Environment**

Directorate: Environment	Approved Budget: £586,000
Project Title: Cycling Demonstration City	Overspend: £192,110

The project was a first for the UK in terms of design and required a number of innovative design changes which were not able to be paid within that financial years grant claim. The project has now been completed bar a couple of minor amendments following the Stage Three Safety Audit. This will be met from the capital budget in 2010-11.

Directorate: Environment	Approved Budget: £1,007,020
Project Title: Communal Bins Extension	Underspend: £452,296

The underspend within the Communal Bins Extension is due to the overall efficiency of the procurement of Communal Bins.

Directorate: Environment	Approved Budget: £300,000
Project Title: Controlled Parking Schemes	Overspend: £52,641

Spend is dependent on whether an area takes up the offer of a parking scheme - this is not known until the relevant consultation has taken place. It is also dependent on how large an area opts for a scheme, as the bigger the scheme, the greater initial expenditure on consultation and implementation, including signing, lining and provision of Pay & Display machines. The expenditure for 2009-10 is greater than forecast because at the request of members, the consultation for all schemes in 2010-11 were extended to include additional areas/groups of roads. The original budget allocated was £0.640 million but this was re-profiled in 2010-11 with an estimate of £0.300 million expenditure. Actual expenditure has been £0.353 million

The project timetable has not been affected; although larger areas have been consulted and some minor re-consultation of particular roads has taken place, this has all been done within the agreed timetable. Parking scheme consultations take up to 2 years from start to finish.

Any overspend will be calculated into the payback period from income generated by new parking schemes, over a period of 7 years.

Directorate: Environment	Approved Budget: £2,570,000
Project Title: Falmer Infrastructure Works	Overspend: £336,860

This project is SEEDA funded over three years. Works started on site in autumn 2009 and are progressing well. As a result of this, the spend is ahead of the original cost profile. Also, in early March 2010, SEEDA requested that we increase the spend in 2009/10 by an additional £0.137 million to assist with their budgets. Additionally, Southern Water costs were incurred due to unforeseen water mains requiring diversion due to these works.

Item 16 Appendix 7

Works are still on schedule to be completed by the end of 2010 and will then enter a 12 months maintenance period. This work is SEEDA funded and is cost neutral to the council as any overspend will be funded by the Community Stadium Limited as laid down in an Agreement with them.

Adult Social Care and Housing

HRA Capital Schemes

Directorate: Housing (HRA)	Approved Budget: £326,500
Project Title: Mechanical & Electrical Works	Underspend: £(139,120) Slippage: £(21,400)

In December 2009 £0.390 million was reprofiled to 2010/11 to carry out the medium rise surveys enabling the council to utilise cost efficient rates through the 10 year partnering contract. In addition works had been identified to three properties which will be incorporated in to the new 10 year partnering contract along with any future work deemed necessary as a result of the surveys. The increased value for money in the new contract has led to the underspend of £0.100 million. The additional £0.040 million under spend is due to the final costs of a particular project being lower than forecast.

Directorate: Housing (HRA)	Approved Budget: £73,000
Project Title: Empty properties – Technical Services	Overspend: £208,593

The cost of rectification works are not currently covered by the limited income from rechargeable repairs. Further issues have been identified around works requested above the lettable standard that were having a financial impact on the average cost per empty property.

Directorate: Housing (HRA)	Approved Budget: £2,772,780
Project Title: Kitchen & Bathroom Replacements	Underspend: £(281,601)

The request for additional funding to increase our percentage of properties meeting the decent homes standard during the third quarter of 2009/10 was a success in terms of more properties now meeting the standard.

A decision was made to move the remainder of the decent homes work into 2010/11, where improved value for money could be delivered through the new Repairs & Refurbishment Partnership.

Directorate: Housing (HRA)	Approved Budget: £261,400
Project Title: Minor Capital Works - Planned Maintenance	Overspend: £77,186

The reason for the £0.077 million overspend is that there were some projects added to the minor capital works programme after it had been approved. These were all necessary, legitimate, urgent or works of a H&S nature.

These projects included:

- Hazelholt –the sub-division of the ex scheme managers flat (No 24) into two 2 one bed flats.
- Jasmine Ct - the extension of flat 10 to use a redundant communal bathroom converting the flat from a bed sit into a 1 bed flat
- Dangerous walls - there were three walls which were condemned as dangerous by a structural engineer, these walls had to be made safe.
- Litigation - following some court decisions BHCC was required to undertake some repair works and make restitution to residents.

Finance & Resources

Directorate: Finance & Resources	Approved Budget: £100,000
Project Title: Mortuary Extension	Underspend: £(53,698)

All works have now been completed, measured and valued. The total value of additional works has been less than initial estimates suggested. The contract retention sums have been agreed and paid.

Children & Young People's Trust

Directorate: CYPT	Approved Budget: £3,675,000
Project Title: Primary Capital Fund	Overspend: £65,173

At 3rd Quarter a request was made to reprofile £0.122 million to 2010/2011 due to delays in the ground on a project and also the poor weather conditions in January 2010. In the 4th Quarter of the year we were informed that grant funding of £0.055 million had not been obtained for elements of the projects at Balfour Junior and Davidgor Infant School which resulted in unforeseen expenditure against this code.

This year's overspend of £0.065 million will be funded from the budget available for the Primary Capital Programme in 2010/2011.

Directorate: CYPT	Approved Budget: £1,837,520
Project Title: Targeted Capital Fund	Overspend: £469,273

At 3rd Quarter it was reported that due to good progress on the major project at Longhill School the cash flow forecast suggested an overspend of £0.440 million. This initial assessment proved to be correct and the final outturn figure for the year was an overspend of £0.469 million.

The Targeted Capital Fund in 2010/2011 has a budget of £6 million with a large element allocated to the Longhill School project. We will fund this year's overspend of £0.469 million from this budget.

NEW CAPITAL SCHEME APPROVALS

Directorate: Environment

Budget: £1,437,000

Project Title: Refuse and other vehicles

In the Capital Resources & Capital Investment Programme for 2010/11 Budget Council agreed, subject to further information being presented on the project, to fund refuse and other vehicles for Environment from unsupported borrowing. The vehicles to be replaced are currently leased and the savings generated on lease costs can fund the repayment of the unsupported borrowing.

The details of the vehicles are shown below:

Purchase of 7 Refuse Collection Vehicles - £1.05m

The refuse fleet needs to be replaced over a period of four years. Three new vehicles were purchased last financial year and another 7 are need for this financial year. The environmental impact of the vehicles have been considered and as well as health and safety and practical requirements. The vehicles will have Euro 5 standard engines which will reduce the emissions for Co2, PM10's and NoX, significantly. They will be able to run on 30% biodiesel as well as standard diesel and they will be more fuel efficient. The vehicles will also have specially designed panels along their sides which will allow the council to place and replace posters very easily

Purchase of 3 mechanical sweepers and 3 caged tippers - £0.297m

The street cleansing fleet needs replacement over a period of 3 years commencing this year.

Again, the vehicles will be more fuel efficient and emissions for Co2, PM10's and NoX will be less than the current vehicles.

Purchase of 3 electric vans - £0.090m

It is proposed that electric vehicles are purchased for lighter duties where the technology is more advanced and reliable and are used in areas where vehicles are not so critical to the delivery of frontline services to residents. The vans are 3 of 8 vehicles used by team leaders and managers to supervise the recycling, cleaning and refuse service across the city

AUDIT COMMITTEE

Agenda Item 17

Brighton & Hove City Council

Subject: Risk & Opportunity Management (ROM) Update –
Corporate Risk Register Updated May 2010

Date of Meeting: 29 June 2010

Report of: Director of Finance & Resources

Contact Officer: Name: Jackie Algar Tel: 01273 29-1273
E-mail: Jackie.algar@brighton-hove.gov.uk

Wards Affected: All

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The corporate risk register, accompanied by details of management actions to address these risks and opportunities, assist the Audit Committee to fulfil one of its roles set out in the Risk & Opportunity Management (ROM) Strategy 2008-11, i.e. “to annually provide assurance to Cabinet and other Members that the council has an effective system of Risk & Opportunity Management”.
- 1.2 The actions taken to address these corporate risks will be reported to this same Audit Committee meeting in the agenda item “Risk Management Action Plans Focus”.

2. RECOMMENDATIONS:

- 2.1 That the Audit Committee consider and provide comments on the Corporate Risk Register 2010-11 (Appendix 1).

3. BACKGROUND INFORMATION:

- 3.1 The ROM Strategy 2008 – 2011 includes provision for a six monthly update of the Corporate Risk Register (CRR) by The Management Team. Review sessions are usually scheduled in May and November each year.
- 3.2 Each time the Corporate Risk Register alters, it will be reported for information to Cabinet and to the next scheduled Audit Committee.
- 3.2 The risks contained in the CRR are presented in risk score (likelihood and impact) priority order rather than numerical order.

3.3 There are gaps in the numbering of risks as each risk is allocated a unique identifying number and a particular risk may be removed from the CRR. This accords with best practice and ensures that the CRR is current.

3.4 The CRR contains these Corporate Risks, further detail is provided in Appendix 1:

Risk No.	Risk Summary	Red/Amber/Green Rating (from Risk Score)
2	Financial Outlook for the Council	RED
3	Long Term Funding for Educational Premises	RED
5	Brighton Centre	RED
9	Major Projects	RED
19	Effectively Managing Transformation	RED
13	Waste Reduction & Disposal	AMBER
20	Information Governance	AMBER
1	Council Housing Stock Condition	AMBER
15	Effective Procurement Process & Co-ordinated Organisational Compliance	AMBER
17	Investing in the City's Sustainable Future	AMBER
18	Protection of Vulnerable Children	AMBER

4. CONSULTATION:

4.1 The agreed process to update the CRR outlines that Directors review the CRR with their Assistant/Directors, Directorate Management Team and Lead Cabinet Members to identify new risks and opportunities, and verify those currently recorded on the CRR.

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

A number of corporate risks may have potentially significant financial implications for the authority either directly or indirectly.

Effective management of these risks ensures that all potential financial impacts are properly considered and that likely financial outcomes are reflected in medium term financial plans and budget strategies, which are continually updated to reflect changing assumptions and likelihood of risk.

The council's Section 151 Officer also has regard to risk assessments in developing the medium term financial strategy and budget strategy. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer of a local authority to report on the robustness of the estimates included in the budget and the adequacy of the reserves and contingencies for which the budget provides. The Chief Finance Officer must be satisfied that the budget estimates contain adequate provision for those items of expenditure which might reasonably be expected to occur in the financial year

Finance Officer Consulted: Anne Silley

Date: 27 May 2010

5.2 Legal Implications:

There are no legal implications arising directly from this report.

Lawyer Consulted: Oliver Dixon

Date: 27 May 2010

5.3 Equalities Implications:

There are no direct implications. The ROM package will address and promote the risk management aspects of equalities.

5.4 Sustainability Implications:

There are no direct implications. The ROM package will address and promote the risk management aspects of sustainability and will be measured by the Audit Commission's Use of Resources assessment.

5.5 Crime & Disorder Implications:

There are no direct implications.

5.6 Risk and Opportunity Management Implications:

The ROM Strategy is focussed on improving the quality and consistency of risk & opportunity management of the council's activities.

5.7 Corporate / Citywide Implications:

There are no direct implications.

SUPPORTING DOCUMENTATION

Appendices:

1. Corporate Risk Register 2009 – 10 (Updated 12 May 2010)

Background Documents:

1. ROM Strategy 2008 -2011
2. ROM Toolkit (I DO RM)

Brighton & Hove City Council

Corporate Risk Register 2010/11 updated by TMT 12 May 2010

Key to Risk & Opportunity Scores:

Likelihood – 1 (Almost Impossible), 2 (Unlikely), 3 (Possible), 4 (Likely), 5 (Almost Certain)

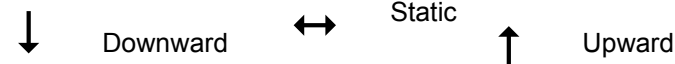
Impact – 1 (Insignificant), 2 (Minor), 3 (Moderate), 4 (Major), 5 (Catastrophic or Fantastic)

Risk No.	Risk Summary	Risk Scenario <i>A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives</i>	Potential Consequences of the Risk or Opportunity	Control Actions include (but are not limited to)	Likelihood (L) Score	Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Officers (Bold denotes Risk Owner, plain text details lead practitioner)	Council Priority
2	FINANCIAL OUTLOOK FOR THE COUNCIL	Projections of reduced funding from central government, combined with reductions in income streams and increased spending due to the prevailing national and economic climate may be greater than anticipated	Overspends within the financial year and higher savings targets may result in unplanned changes to service delivery	*Robustness of budget/adequacy of reserves review *Regular income collection, monitoring and reporting *Contingency planning for falling budgeted investment income *Extensive Value for Money reviews to deliver future savings *Monitor developments in grant distribution and lobby as appropriate	5 ↔	4 ↔	20 ● RED	Director of Finance & Resources , Head of Strategic Finance & Procurement, Assistant Director Financial Services	2
3	LONG TERM FUNDING FOR EDUCATIONAL PREMISES	To address the long term implications of the condition and deterioration of its educational premises in relation to delivering 21st century education the council is considering, evaluating and pursuing the available options e.g. Building Schools for the	If the council does not gain extra investment, the city's educational offer, curriculum and premises may not be as good as other cities in the	* Cabinet approval for Director of CYPT and Director of Finance & Resources to agree to the submission of BSF Readiness to Deliver submission once requested by Partnership for Schools (PfS) * Falmer Academy building started Nov 2009 due for opening Aug 2011 with final completion in Feb 2012	5 ↔	4 ↔	20 ● RED	Director of Children's Services , Schools Futures Project Director	2

Council priorities:

- 1 = Protect the environment while growing the economy
- 2= Make better use of public money
- 3= Fair enforcement of the law
- 4 = Reduce inequality by improving opportunities
- 5 = Open and effective city leadership

Likelihood & Impact Arrows indicate




Brighton & Hove City Council

Corporate Risk Register 2010/11 updated by TMT 12 May 2010

Key to Risk & Opportunity Scores:

Likelihood – 1 (Almost Impossible), 2 (Unlikely), 3 (Possible), 4 (Likely), 5 (Almost Certain)

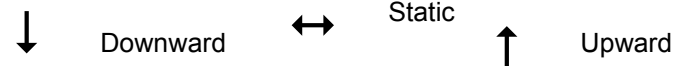
Impact – 1 (Insignificant), 2 (Minor), 3 (Moderate), 4 (Major), 5 (Catastrophic or Fantastic)

Risk No.	Risk Summary	Risk Scenario <i>A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives</i>	Potential Consequences of the Risk or Opportunity	Control Actions include (but are not limited to)	Likelihood (L) Score	Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Officers (Bold denotes Risk Owner, plain text details lead practitioner)	Council Priority
148		Future (BSF), Primary Strategy and the Academy, to secure maximum investment for city schools	region which have been able to access funding	* Expansion of existing primary schools agreed * Portslade Community College Academy Statement of Intent agreed, Expression of Interest in development , Community consultation started * Two possible sites for new primary schools under consideration					
5	BRIGHTON CENTRE	The council will need to retain its partnership with Standard Life Investments in order to deliver a world-class replacement for the current convention centre. A Heads of Terms agreement with Standard Life has instigated a period of feasibility work in 2010	If the Brighton Centre is not redeveloped the city will lose its reputation as a leading conference destination and this will have a detrimental impact on the local economy.	*Current levels of commitment are high, but careful management by the council of their relationship with Standard Life will be needed to retain their interest and commitment over the coming months. *Dedicated project management resource and a council Officer Steering Group to work in tandem with Standard Life's Design Team to oversee project and to	5 ↔	4 ↔	20  RED	Director Housing, Culture & Enterprise, Major Projects Team	1

Council priorities:

- 1 = Protect the environment while growing the economy
- 2= Make better use of public money
- 3= Fair enforcement of the law
- 4 = Reduce inequality by improving opportunities
- 5 = Open and effective city leadership

Likelihood & Impact Arrows indicate



Brighton & Hove City Council

Corporate Risk Register 2010/11 updated by TMT 12 May 2010

Key to Risk & Opportunity Scores:

Likelihood – 1 (Almost Impossible), 2 (Unlikely), 3 (Possible), 4 (Likely), 5 (Almost Certain)

Impact – 1 (Insignificant), 2 (Minor), 3 (Moderate), 4 (Major), 5 (Catastrophic or Fantastic)

Risk No.	Risk Summary	Risk Scenario <i>A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives</i>	Potential Consequences of the Risk or Opportunity	Control Actions include (but are not limited to)	Likelihood (L) Score	Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Officers (Bold denotes Risk Owner, plain text details lead practitioner)	Council Priority
149		during which time it is hoped that a jointly agreed, financially viable and deliverable scheme can be identified.		contribute to the work of the design team in developing a viable scheme which meets the agreed client briefs. *Continue to ensure Standard Life's compliance with the agreed procurement protocol. *Completion of first stage feasibility study to identify and design a viable scheme.					

Council priorities:

- 1 = Protect the environment while growing the economy
- 2= Make better use of public money
- 3= Fair enforcement of the law
- 4 = Reduce inequality by improving opportunities
- 5 = Open and effective city leadership

Likelihood & Impact Arrows indicate



Downward



Static



Upward


Brighton & Hove City Council

Corporate Risk Register 2010/11 updated by TMT 12 May 2010

Key to Risk & Opportunity Scores:

Likelihood – 1 (Almost Impossible), 2 (Unlikely), 3 (Possible), 4 (Likely), 5 (Almost Certain)

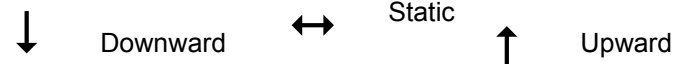
Impact – 1 (Insignificant), 2 (Minor), 3 (Moderate), 4 (Major), 5 (Catastrophic or Fantastic)

Risk No.	Risk Summary	Risk Scenario <i>A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives</i>	Potential Consequences of the Risk or Opportunity	Control Actions include (but are not limited to)	Likelihood (L) Score	Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Officers (Bold denotes Risk Owner, plain text details lead practitioner)	Council Priority
150	MAJOR PROJECTS	The international financial climate could result in fewer investment opportunities for the city and may have a direct impact on the ability to secure funding to deliver high quality and sustainable developments on key infrastructure sites throughout the city	If major projects do not proceed as anticipated, investors may opt to invest elsewhere to the detriment of the city's local economy and prospects for local residents	* Major Projects Team lead and manage on behalf of the council, together with other public and private sector partners, the implementation and delivery of key infrastructure projects. * Performance management of project plans against agreed targets & milestones * Regular meetings with Partners to identify key issues which affect developments in the city and to identify how best and to what extent the council can support continued progression of such developments, e.g. pragmatic extensions of project timetables and review of the 'mix of uses' of project schemes in order to improve the financial viability of developments	4 ↕	4 ↕	16  RED	Director Housing, Culture & Enterprise, Major Projects Team	1

Council priorities:

- 1 = Protect the environment while growing the economy
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Likelihood & Impact Arrows indicate




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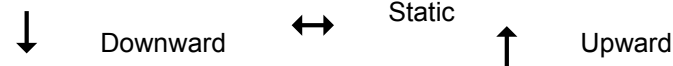
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151 19 NEW	EFFECTIVELY MANAGING TRANSFORMATION	In any period of significant organisational change, the following aspects need careful management: <u>Financial</u> * control of current year spend * effectively planning for 11/12 budget <u>Safeguarding</u> * systems need to be clear and robust <u>Governance & Accountability</u> * Clear roles & responsibilities <u>Staffing Resources</u> * Ensuring staff availability is controlled & at appropriate levels	* Service disruption during change process unless managed well * Timescales affected * Additional overspends and financial risk.	* Robust project planning * Constant focus on all risks & opportunities via active risk review and management, co-ordinated across project streams * Fortnightly budget group meetings * Reports planned for Governance Committee, Cabinet and Council * Communications and engagement work	4 New	4 New	16  RED	Chief Executive, All Directors	All

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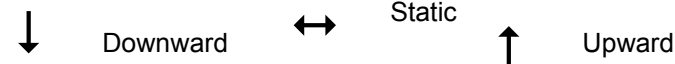
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13	WASTE REDUCTION & DISPOSAL	Increasing legislation and financial penalties for waste disposal requires sustainable & cost-effective solutions to minimise waste and waste disposal	Impact of increased costs of waste disposal on council tax and potential reduction of funds available for other council service delivery	* Council has been active in lobby group to persuade DEFRA to change definition of waste legislation * Regular monitoring of legal and regulation changes affecting contract * Council's Municipal Waste Management Strategy was adopted in March 2010. It sets out action plans to reduce waste and increase recycling * Project Management of Waste PFI Contract	3 ↕	4 ↕	12  AMBER	Director of Environment, Assistant Director City Clean and Parks	2
20	INFORMATION GOVERNANCE	The council holds information relating to its citizens and must ensure sufficient governance and a culture of ownership and accountability, to prevent inappropriate disclosure of citizens' data	* Citizen safety compromised * Reputational damage * Legislative implications of personal records being breached	* Work underway to develop Corporate Management Information Strategy * Compliance with national requirements e.g. Government Connects (GCSx) * Agreement that each Directorate will self-audit practice and develop action plans as required	4 New	3 New	12  AMBER	Director of Finance & Resources	All

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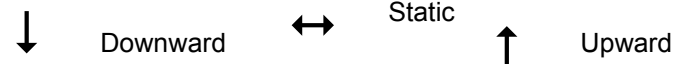
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153	COUNCIL HOUSING STOCK CONDITION	For the council to meet the Decent Homes Standard by the end of 2013, significant financial investment is required beyond the council's current resources	Challenge to meet all aspects of the DHS by the end of 2013. Significant investments required beyond the councils resources	* New 10 year contract approved by Cabinet July 09, contract exceeds financial efficiency targets in HRA business plan * Mobilisation programme completed, contract commences April 2010 *3 year investment programme developed to achieve just under 75% Decency by March 2011 and 90% by March 2013. Cabinet approval in February 2010 for 2010/11 investment programme. * Cabinet approval in February 2010 to pursue leasing arrangements to the Local delivery vehicle via the general consents route, whilst leaving open our application to the Secretary of State for express consents * Financial and commercial offer presented to the board of Brighton & Hove Seaside Community Homes on 12 February 2010	4 ↕	3 ↕	12 ● AMBER	Director Housing, Culture & Enterprise, Assistant Director Housing Management	4

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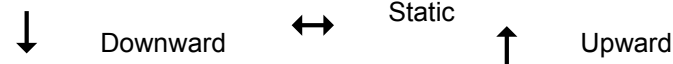
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154	EFFECTIVE PROCUREMENT PROCESS & CO-ORDINATED ORGANISATIONAL COMPLIANCE	Procurement practices are not consistently applied across the organisation	Value for Money and quality of service delivery may not be optimal, limited assurance on legal compliance, sustainability and best practice	*Implementation of revised corporate procurement strategy to co-ordinate approach *Continually updating the corporate register of contracts to inform procurement spend *Continual improvement, adaptation and roll out of the Procurement Toolkit which provides advice on Health & Safety, EU procurement, sustainability etc. *Continual liaison with legal services to ensure that legal requirements are met in procurement practice * Work to improve links with council services, contract officer forums and steering/focus groups	3 ↕	4 ↕	12  AMBER	Director of Finance & Resources Head of Strategic Finance & Procurement, Procurement Strategy Manager	2

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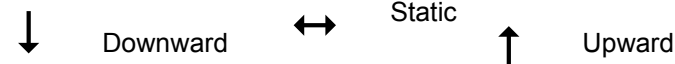
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155	17 INVESTING IN THE CITY'S SUSTAINABLE FUTURE	The council is required to work with others to consolidate city wide action to better assure a sustainable future for the city and its community	Sustainable improvements and quality of actions taken now will impact on the community in the long term	*City council 2010 sustainability priorities: - 10:10 and a low carbon Brighton & Hove - Supporting the offshore windfarm - More electric vehicle charging points *New Sustainable Community Strategy reflects these * City Sustainability Partnership (CSP) and Sustainability Cabinet Committee consider strategic, cross cutting issues *E-ON has presented re. offshore windfarm to Cabinet, Sustainability Conference and CSP * New programmes underway include Harvest, Climate Connections, and City wide 10:10 campaign to generate community engagement and action	3 ↕	4 ↕	12 ● AMBER	Director Strategy & Governance, Head of Sustainability and Environment	4, 2

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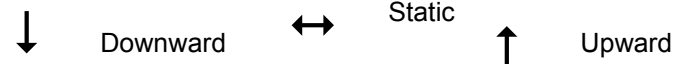
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156	PROTECTION OF VULNERABLE CHILDREN	Impact of unprecedented level of child protection activity on local arrangements to safeguard and protect vulnerable children resulting from national shifts in public perception, policy and practice following high profile cases (Baby P), the Laming Report recommendations and the introduction of the Public Law Outline	Increased activity is sustained, including high level of legal and placement costs, impacts on CYPT budget strategy, operational structures and partnership arrangements	*Existing CYPT service provision and detailed operational guidance *Pan Sussex Child Protection & Safeguarding Procedures (multi-agency working) * Review of Tiers of Intervention Underway *Interventions to strengthen service delivery and manage levels of demand including Value for Money/Impower work streams in the CYPT *Joint working with all partners on the Local Safeguarding Children Board	4 ↕	3 ↕	12  AMBER	Director of Children & Young People's Trust, Assistant Director Strategic Commissioning & Governance	2

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TMT agreed to remove the following Risks from the Corporate Risk Register

Risk No. Now removed	Risk Summary (CORPORATE RISK REMOVED)	Risk Scenario (CORPORATE RISK REMOVED) A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives	Reason for removal from the Corporate Risk Register
11	A DESERVED REPUTATION FOR EXCELLENCE AND A STAFF CULTURE TO DELIVER	The challenge is to improve residents' and partners' understanding of the city council's role and how we deliver outcomes for the city	Replaced by new Corporate Risk 19
14	EQUAL PAY	The council may receive challenge from trade unions and employees on how it has implemented revised pay schemes to deliver Equal Pay to comply with legislation and ensure and affordable outcome for tax payers	From January 2010 the council implemented new Single Status pay and grading. There remains some residual financial risk which is being monitored, but most aspects of implementation continue to be managed successfully

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Downward



Static



Upward

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