



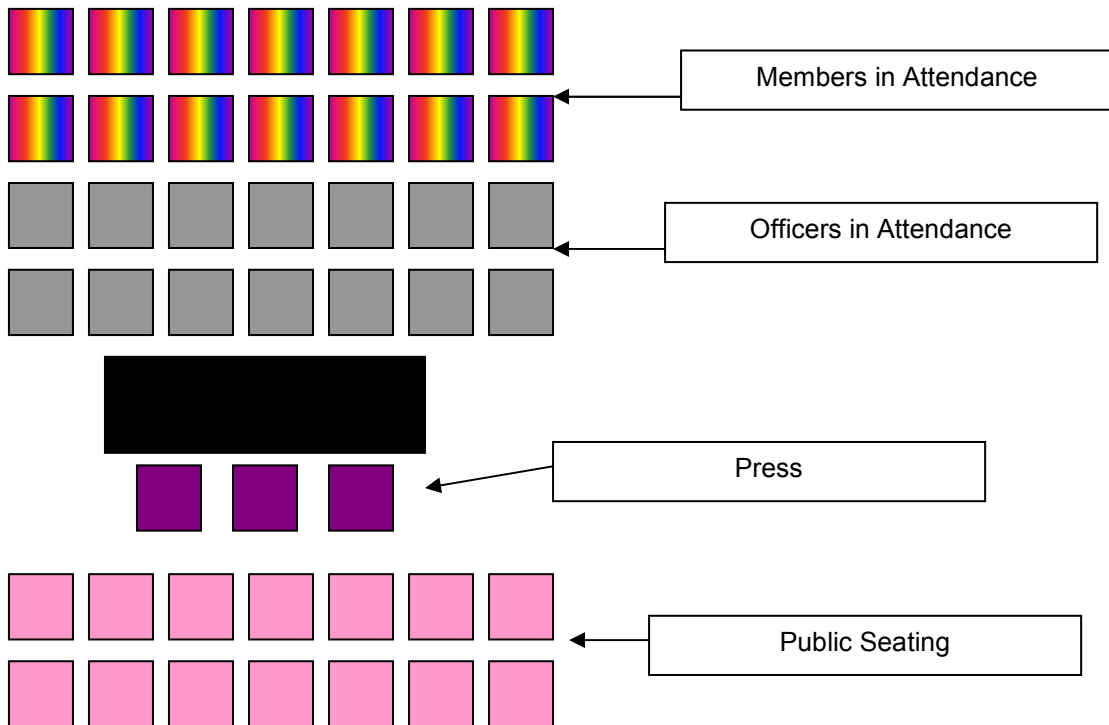
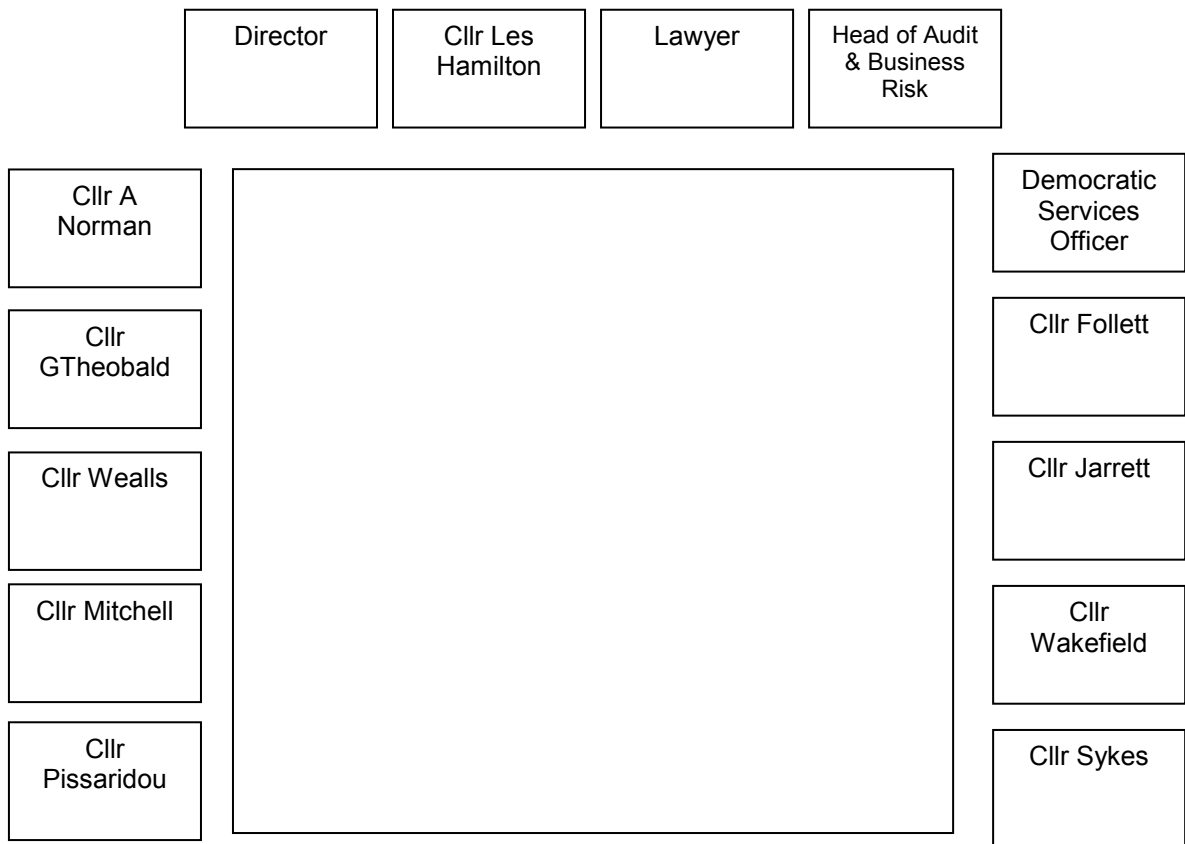
Brighton & Hove  
City Council

# Audit Committee

Title:	<b>Audit Committee</b>
Date:	<b>28 June 2011</b>
Time:	<b>4.00pm</b>
Venue	<b>Committee Room 1, Hove Town Hall</b>
Members:	<b>Councillors:</b> Hamilton (Chair), Follett (Deputy Chair), Jarrett, Mitchell, A Norman, Pissaridou, Sykes, G Theobald, Wakefield and Wealls
Contact:	<b>John Peel</b> Democratic Services Officer 01273 291058 john.peel@brighton-hove.gov.uk

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# Democratic Services: Meeting Layout



## AGENDA

### 1. PROCEDURAL BUSINESS

- (a) Declaration of Substitutes - Where Councillors are unable to attend a meeting, a substitute Member from the same Political Group may attend, speak and vote in their place for that meeting.
- (b) Declarations of Interest by all Members present of any personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
- (c) Exclusion of Press and Public - To consider whether, in view of the nature of the business to be transacted, or the nature of the proceedings, the press and public should be excluded from the meeting when any of the following items are under consideration.

*NOTE: Any item appearing in Part 2 of the Agenda states in its heading the category under which the information disclosed in the report is exempt from disclosure and therefore not available to the public.*

*A list and description of the exempt categories is available for public inspection at Brighton and Hove Town Halls.*

### 2. MINUTES OF THE PREVIOUS MEETING

1 - 10

Minutes of the previous meeting held on 5 April 2011 (copy attached).

### 3. CHAIRMAN'S COMMUNICATIONS

### 4. PUBLIC QUESTIONS

(The closing date for receipt of public questions is 12 noon on 21 June 2011)

No public questions received as of date of publication.

### 5. WRITTEN QUESTIONS FROM COUNCILLORS

No written questions have been received as of date of publication.

### 6. DEPUTATIONS

(The closing date for receipt of depositions is 12 noon on 21 June 2011)

No depositions have been received as of date of publication.

### 7. PETITIONS

## AUDIT COMMITTEE

No petitions have been received as of date of publication.

### 8. LETTERS FROM COUNCILLORS

No letters have been received as of date of publication.

### 9. AUDIT COMMISSION: PROGRESS REPORT AND UPDATE 2010/11 11 - 20

Report of the Audit Commission (copy attached).

### 10. UNAUDITED STATEMENT OF ACCOUNTS 2010/11

Report of the Director of Finance (copy to follow).

Contact Officer: Nigel Manvell Tel: 29-3104

### 11. DRAFT ANNUAL GOVERNANCE STATEMENT 2010/11 21 - 36

Report of the Director of Finance (copy attached).

Contact Officer: Ian Withers Tel: 29-1323

### 12. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 37 - 46

Report of the Director of Finance (copy attached)

Contact Officer: Ian Withers Tel: 29-1323

### 13. AUDIT COMMITTEE ANNUAL REPORT 2010/11 47 - 60

Report of the Director of Finance (copy attached)

Contact Officer: Ian Withers Tel: 29-1323

### 14. TARGETED BUDGET MANAGEMENT PROVISIONAL OUTTURN 2010/11 61 - 104

Report of the Director of Finance (copy attached).

Contact Officer: Jeff Coates Tel: 29-2364

### 15. RISK & MANAGEMENT UPDATE: THE PERFORMANCE AND RISK MANAGEMENT FRAMEWORK 105 - 110

Report of the Director of Finance (copy attached).

Contact Officer: Jackie Algar Tel: 29-1273

## PART TWO

### 16. STRATEGIC RISK MANAGEMENT ACTION PLANS FOCUS 111 - 134

Report of the Director of Finance (copy attached).

Contact Officer: Jackie Algar Tel: 29-1273

## AUDIT COMMITTEE

### 17. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2010/12

135 -  
160

Report of the Director of Finance (copy attached).

*Contact Officer: Ian Withers*

*Tel: 29-1323*

The City Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public. Provision is also made on the agendas for public questions to committees and details of how questions can be raised can be found on the website and/or on agendas for the meetings.

The closing date for receipt of public questions and deputations for the next meeting is 12 noon on the fifth working day before the meeting.

Agendas and minutes are published on the council's website [www.brighton-hove.gov.uk](http://www.brighton-hove.gov.uk). Agendas are available to view five working days prior to the meeting date.

Meeting papers can be provided, on request, in large print, in Braille, on audio tape or on disc, or translated into any other language as requested.

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

Date of Publication - Monday, 20 June 2011



**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT COMMITTEE**

**4.00pm 5 APRIL 2011**

**COMMITTEE ROOM 1, HOVE TOWN HALL**

**MINUTES**

**Present:** Councillors Hamilton (Chair), Watkins (Deputy Chair), Kitcat, A Norman, Randall, Simpson and Young

**PART ONE**

**62. PROCEDURAL BUSINESS**

**62a Declaration of Substitutes**

62.1 Councillor Young declared that she was substituting for Councillor Drake.

**62b Declarations of Interest**

62.2 Councillors Simpson and Randall declared a personal but not prejudicial interest in all reports referring to Brighton and Hove Seaside Community Homes (LDV).

**62c Exclusion of the Press and Public**

62.3 In accordance with section 100A of the Local Government Act 1972 ('the Act'), the 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).

62.4 **RESOLVED** - That the press and public be excluded from the meeting during consideration of Item 81.

**63. MINUTES OF THE PREVIOUS MEETING**

63.1 **RESOLVED-** That the minutes of the previous meeting held on 14 December 2010 be approved and signed as the correct record.

**64. CHAIRMAN'S COMMUNICATIONS**

64.1 The Chairman observed that this was the last meeting of the Audit Committee in the four-year Council cycle. He passed his regards to all officers and Members for their support with specific thanks to Councillor Watkins, the Audit Commission, the Head of Audit & Business Risk and the Risk & Opportunity Manager for their input and assistance.

**65. PETITIONS**

65.1 There were none.

**66. PUBLIC QUESTIONS**

66.1 There were none.

**67. DEPUTATIONS**

67.1 There were none.

**68. LETTERS FROM COUNCILLORS**

68.1 There were none.

**69. WRITTEN QUESTIONS FROM COUNCILLORS**

69.1 There were none.

**70. ANNUAL STATEMENT OF ACCOUNTS 2010/11 PROGRESS UPDATE & INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) VERBAL UPDATE**

70.1 The Committee considered a verbal report of the Acting Head of Financial Services which gave a progress update on the Annual Statement of Accounts for 2010/11 and International Financial Reporting Standards (IFRS). The report provided a brief review of the 2009/10 audit and progress on completing the 2010/11 Statement of Accounts, including the impact IFRS would have to the presentation of the accounts. The report



also summarised the main issues and risks associated with the move to IFRS and changes to the accounts and audit regulations in 2011.

- 70.2 Councillor Watkins queried if both parties could include the same asset on their respective balance sheets giving the example of photocopiers used by the Council on its premises.
- 70.3 The Acting Head of Financial Services responded that this possible but unlikely to ever be the case.
- 70.4 Councillor Kitcat asked that if any assets were to be added to the Balance Sheet as a result of IFRS accounting changes, the Council would depreciate its value.
- 70.5 The Acting Head of Financial Services responded that this would be the case. The Director of Finance supplemented that this would be a notional charge that would serve as an accounting entry only.
- 70.6 Councillor Kitcat asked if software had been developed for analysis of accounts under IFRS.
- 70.7 The Acting Head of Financial Services clarified that he was unaware of such software in existence but hoped this would be forthcoming as it would aid comparison.
- 70.8 The District Auditor praised the presentation for its quality and clarity and complemented the work of officers at the Council who had adapted to the IFRS very well.
- 70.9 The Director of Finance highlighted the phenomenal amount of work involved for the authority in moving to IFRS and commended the work of officers thus far, specifically those in the Property and Estates Management department whose workload had been particularly strenuous.
- 70.10 Councillor Randall asked if the work undertaken to adapt to IFRS had been of overall benefit.
- 70.11 Councillor Young answered that from a Members perspective, the accounts would become more complicated but more detailed, thorough and explanatory. The Director of Finance added that IFRS would primarily be of benefit for asset information and decision-making.
- 70.12 The Director of Finance highlighted to the Committee that Members no longer had to approve the unaudited accounts by 30 June as had previously been the case. They therefore had a choice to either; bring the accounts unaudited in June as normal but for noting only, approve just the final audited accounts on 30 September or receive an informal briefing on the accounts in advance of the 30 September deadline.
- 70.13 The Chairman suggested the decision be made by the Chairman after the local elections in May 2011.
- 70.14 Councillor Watkins asked if there would be substantial changes made to the accounts from June to September.

- 70.15 The Director of Finance replied that she hoped not although there were inevitably adjustments in that period as had been the case in previous years. A key aspect of the approval by the Committee was to consider any unadjusted misstatements.
- 70.16 Councillor Watkins stated his belief that the unaudited accounts be brought to the meeting in June to maintain the open decision-making process.
- 70.17 The Chairman noted that he also believed it best to present the unaudited accounts in June but the decision would be left with the Chair of the Audit Committee subsequent to the upcoming local elections.
- 70.18 **RESOLVED-** That the Annual Statement of Accounts 2010/11 Progress Update and IFRS update be noted by the Committee.

## **71. TARGETED BUDGET MANAGEMENT (TBM) MONTH 9**

- 71.1 The Committee considered a report of the Director of Finance that set out the revenue and capital forecast outturn position as at month 9. There report had been previously agreed at the Cabinet Meeting held on 17 February 2011.
- 71.2 **RESOLVED-** That the report is noted.

## **72. TREASURY MANAGEMENT POLICY STATEMENT**

- 72.1 The Chairman noted that item 72 and item 73 would be taken together.
- 72.2 The Committee considered reports of the Director of Finance. Item 72 recommended a Treasury Management Policy Statement for the financial year commencing 1 April 2011. Item 73 sought approval to the Annual Investment Strategy 2011/12. Both reports were approved by the meeting of Cabinet on 17 March 2011 and Item 73 approved by Council on 24 March 2011.
- 72.3 The Chairman enquired as to why building societies had a lower rating than banks as listed in Schedule 1 of Item 73.
- 72.4 The Loans & Technical Manager answered that the rating generally related to the size of the financial organisation and in turn, its security.
- 72.5 Councillor Watkins asked if there was a possibility of joint financial working between East Sussex County Council and Brighton & Hove City Council as evidenced in other agreements.
- 72.6 The Loans & Technical Manager responded that this was a possibility. Although, whilst there was a similar financial practice between the two authorities there was clear

difference such as the differing views on risk and investment. The Loans & Technical Manager advised the Committee that the council currently undertook treasury management for the South Downs National Park Authority.

72.7 Councillor Watkins suggested a future report on joint working would be very helpful for Members.

72.8 **RESOLVED-** That the Treasury Management Policy Statement and the Annual Investment Strategy be noted by the Committee.

### **73. ANNUAL INVESTMENT STRATEGY 2011/12**

73.1 Discussed and noted under the previous item.

### **74. INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2011/12**

74.1 The Committee considered a report of the Director of Finance that presented the Council's Internal Audit Strategy and Annual Audit Plan for 2011/12.

74.2 Councillor Simpson asked if there were adequate staff to undertake and complete the work plan.

74.3 The Head of Audit & Business Risk answered that he believed the work plan would be delivered to schedule with the in-house team and its partner Deloitte Public Sector Internal Audit.

74.4 Councillor Kitcat asked if the adoption of IFRS, which had been used in the private sector for a number of years, would make recruitment of staff easier.

74.5 The Head of Audit & Business Risk replied that he did not believe so as the root of the problem was a market shortage in personnel. However, the financial downturn would assist this somewhat.

74.6 Councillor Kitcat enquired if there would be a requirement for free schools and academies to be audited.

74.7 The Head of Audit & Business Risk answered that no requirement or arrangement in place to do so. The Director of Finance supplemented that as stand alone organisations; there would be no requirement to do so although such institutions could purchase the Council's service.

74.8 **RESOLVED-** That the Audit Committee approves the Internal Audit Strategy and Annual Audit Plan for 2011/12.

### **75. RISK & OPPORTUNITY UPDATE & STRATEGIC RISK REGISTER**

- 75.1 The Committee considered a report of the Director of Finance that provided a Strategic Risk Register and an update on the risk management input to the Council's new Performance & Risk Management Framework. The Strategic Risk Register had replaced the Corporate Risk Register and was designed to provide a more understandable format.
- 75.2 The Director of Finance reflected that due to the new structure and changes to personnel as well as changes at national level, it was appropriate to refresh the former Corporate Risk Register with the Strategic Risk Register which provided an improved analysis. Under the new format, performance and risk management would be much more aligned.
- 75.3 Councillor Kitcat asked why there appeared to be fewer risks in the Strategic Risk Register than there had been in the Corporate Risk Register.
- 75.4 The Director of Finance responded that the new Strategic Risk Register captured the more pressing issues which would be reported to the Committee members. The remaining risks were still analysed and accounted for and would be escalated and deescalated according to perceived risk level at that time.
- 75.5 Councillor Simpson enquired how Members would be aware of the next level of risk.
- 75.6 The Director of Finance replied that this was contained within the Performance Compact.
- 75.7 The Chairman asked whether the Brighton & Seaside Community Homes (LDV) would appear on the Strategic Risk Register.
- 75.8 The Director of Finance answered that individual projects such as the LDV would have their own risk logs and management and would continue to be reported to the Committee.
- 75.9 The Director of Finance supplemented that the Risk Management Action Plans and a better picture of how risk is distributed down the organisation would be reported to the next Audit Committee scheduled for June 2011. In the meantime, attention would be paid to how to publicise the Performance Compact.
- 75.10 Councillor Watkins communicated to Committee his absolute conviction that any risk that necessitated the attention of Members would be provide to Members by Officers as had been evidenced with all previous reporting.
- 75.11 **RESOLVED-** That the Audit Committee:
- 1) Notes the Strategic Risk Register 2011/12 at Appendix 1 and its improved format and clarity of text.
  - 2) Notes that the Risk Management Action Plans (Risk MAP's) which detail work to address Strategic Risks will be reported to the next Audit Committee meeting in June 2011.

**76. AUDIT COMMISSION: PROGRESS REPORT 2010/11**

- 76.1 The Committee considered a report of the Audit Commission that gave a progress report on the 2010/11 audit plan from which the Audit Manager highlighted two issues of importance. Firstly, there had been improvements to the payroll system. Secondly, whilst the Council's IFRS position was strong, progress had slipped slightly and there was still some work to do to ensure completion by April 2011.
- 76.2 The Head of Financial Services noted that the majority of work on IFRS had been completed and he believed the April 2011 deadline would be met.
- 76.3 **RESOLVED-** That the progress report on the 2010/11 audit plan be noted by the Committee.

**77. AUDIT COMMISSION: CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT**

- 77.1 The Committee considered a report of the Audit Commission that summarised the findings and conclusions from their 2009/10 audit of claims and returns prepared by the Council. The findings showed that the Council has good arrangements for preparing and managing claims.
- 77.2 **RESOLVED-** That the Committee notes the report.

**78. AUDIT COMMISSION: FEES LETTERS 2011/12**

- 78.1 The Committee considered a report of the Audit Commission that outlined the audit fee for 2011/12. The audit fee had been calculated following discussions with the Department for Communities and Local Government (DCLG) and would be reduced by 10 per cent with expectation of a further rebate fee. There would also be further reduction in fees in 2012/13 if the legislative timetable for the abolition of the Audit Commission was met.
- 78.2 Councillor Kitcat asked if the Audit Commission could provide any update concerning the proposed abolition.
- 78.3 The District Auditor answered that there was uncertainty on a decision date on abolition although draft legislation was expected in October 2011. There was currently a Select Committee inquiry of the decision in progress and a public consultation document available.
- 78.4 Councillor Kitcat enquired how the proposals for mutualisation would be impacted by the decision to pass the Audit Commission reserves to Local Authorities.

- 78.5 The District Auditor clarified that the practice proposed would set up separately to the Audit Commission and a review of options was ongoing.
- 78.6 The Director of Finance noted her concern that Local Authorities had no choice over the audit fee set adding her belief that the Council was paying too much for much reduced work She asked the members of the Audit Committee to monitor this.
- 78.7 The District Auditor acknowledged this was a valid point however; she assured the Committee that the Audit Commission would always look to guarantee as much value from their fee as possible.
- 78.8 **RESOLVED-** That the 2011/12 audit fee and fee letter be noted by the Committee.

## **79. AUDIT COMMISSION: 2010/11 OPINION AUDIT PLAN**

- 79.1 The Committee considered a report of the Audit Commission that set out the 2010/11 Opinion Audit Plan. The Plan set out the risks the Audit Commission would consider and the audit work they would undertake for the 2010/11 audit of financial statements and value for money conclusion.
- 79.2 Councillor Kitcat asked how the Audit Commission would detail their conclusion on the Council restructure as detailed on page 216 s.25.
- 79.3 The Audit Manager clarified that as the restructure would not be completed until 2012, it would mainly be an opinion on the impact of the comprehensive spending review and value for money conclusions.
- 79.4 **RESOLVED-** That the note the risks and proposed approach to the 2010/11 audit of financial statements and value for money conclusion.

## **80. AUDIT COMMISSION: ASSURANCES FROM THE AUDIT COMMITTEE AS THE BODY CHARGED WITH GOVERNANCE 2010/11**

- 80.1 The Committee considered a report of the Audit Commission that requested assurances from the Audit Committee as the body charged with governance.
- 80.2 **RESOLVED-** That the Chair of the Committee provide a response on behalf of the Audit Committee to the specific questions set out in letter from the Audit Commission.

## **81. PART TWO MINUTES OF THE PREVIOUS MEETING**

- 81.1 **RESOLVED-** That the Part Two minutes of the previous meeting held on 14 December 2010 be approved and signed as the correct record.

**82. PART TWO ITEMS**

82.1 **RESOLVED-** That the above items remain exempt from disclosure from the press and public.

The meeting concluded at 6.05pm

Signed

Chair

Dated this

day of





<b>Subject:</b>	<b>2010/11 Progress Report and Briefing</b>		
<b>Date of Meeting:</b>	<b>28 June 2011</b>		
<b>Report of:</b>	<b>Audit Commission</b>		
<b>Contact Officer:</b>	<b>Name: Simon Mathers</b>	<b>Tel: 0844 798 1776</b>	
	<b>E-mail: s-mathers@audit-commission.gov.uk</b>		
<b>Wards Affected:</b>	<b>All</b>		

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

- 1.1 We would like the committee to review the 2010/11 external audit progress report and briefing.

**2. RECOMMENDATIONS:**

- 2.1 To receive the 2010/11 external audit progress report and briefing and note the progress made.

**3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:**

- 3.1 This is our usual report detailing progress against the 2010/11 audit plan. It up to date to 15 June 2011 and is intended to provide the issue with a summary of progress made and any significant issues arising.
- 3.2 We welcome feedback from the Committee on any improvements it would like to either the format or content of the report.



# Progress report and briefing

June 2011

Brighton & Hove City Council

Audit 2010/11

DRAFT

**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.**

# Contents

<b>Audit progress</b> .....	<b>2</b>
Introduction .....	2
2009/10 audit .....	2
2010/11 audit .....	2
<b>Contacts</b> .....	<b>6</b>

DRAFT

# Audit progress

## Introduction

1 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering my responsibilities as the Council's external auditor.

2 If you require any more information about the issues included within this briefing, please feel free to contact me as your District Auditor or a member of the local audit team. Contact details are set out at the end of this update.

## 2009/10 audit

3 My work on the 2009/10 audit is now complete. I formally concluded the audit and issued the audit certificate on 17 May 2011. The conclusion of the audit was delayed as I had to consider two objections raised by a local elector to the Council's 2009/10 financial statements. I have now dealt with both of those objections and I concluded that I did not need to take any formal audit action as a result of issues raised.

## 2010/11 audit

### Financial Statements

4 The proposed timing for my audit work is set out in table 1.

Table 1: **Audit time line**

Work Flow	Date of completion	Reports / Progress
Documentation and walkthrough of key financial systems	January 2011	Completed. In my 2010/11 opinion audit plan and progress report to the April Audit Committee I reported that my work to document and walkthrough the Council's new Midland iTrent payroll system suggests the control environment has improved compared to the outgoing system. I therefore planned to test and rely on controls in the new payroll system to gain assurance in relation to expenditure generated by the

Work Flow	Date of completion	Reports / Progress
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system. Internal Audit has now completed its testing of controls in the new payroll system and I have reviewed that work. The work has shown that I am not yet able to rely on the operation of controls in the new payroll system. This is because not all controls are operated consistently and insufficient evidence is retained for some controls to show the control has been operated. I will report significant weaknesses in internal control and associated recommendations in my annual governance report.

<p>Review of 2010/11 restated International Financial Reporting Standard (IFRS) accounts</p>	<p>April 2011</p>	<p>I have audited most of the work done by the Council to be able to restate the 2009/10 financial statements to comply with the requirements of IFRS. Good quality working papers have been produced to support the transition to IFRS and I am satisfied the Council has made good progress. There has, however, been some slippage against the Council's plans and this puts pressure on the year-end timetable for production of the financial statements. As at 15 June I have yet to audit the re-stated cash flow statement and re-stated notes to the financial statements. I have also yet to agree the fully re-stated accounts to the Council's general ledger.</p>
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Work Flow	Date of completion	Reports / Progress
Audit Commission controls testing. Review of Internal Audit controls testing.	April 2011	Work received from Internal Audit has been delivered on time and is of an acceptable standard. My team's review of Internal Audit testing of financial controls is now complete.
Post statement audit and financial statements opinion.	By 30 September 2011	The results of my work on the 2010/11 financial statements will be reported in my annual governance report which I will present to the September 2011 Audit Committee.
VFM work.	By 30 September 2011	Detailed work to inform the 2010/11 VFM conclusion is largely complete. I will report the results of the work in my 2010/11 annual governance report. The statutory deadline for the 2010/11 VFM conclusion is 30 September 2011. My aim is to complete this work ahead of that deadline and present key findings and recommendations to management and the Audit Committee.

**5** I have agreed with officers that my team will take a different approach to the delivery of the audit of the 2010/11 financial statements. I intend to deliver my work in a shorter period of time using a larger audit team. It is my intention that the majority of my post-statement work will be delivered during July 2011. This type of approach has benefits for both officers and my team, but will require some revision to working methods.

### VFM conclusion

**6** I assess whether the Council has put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

**7** From 2010/11, the Commission has introduced new requirements for VFM audit work at local authorities. Auditors will give their statutory VFM conclusion based on the following two criteria specified by the Commission:



Table 2: Specified criteria for the auditor's VFM conclusion:

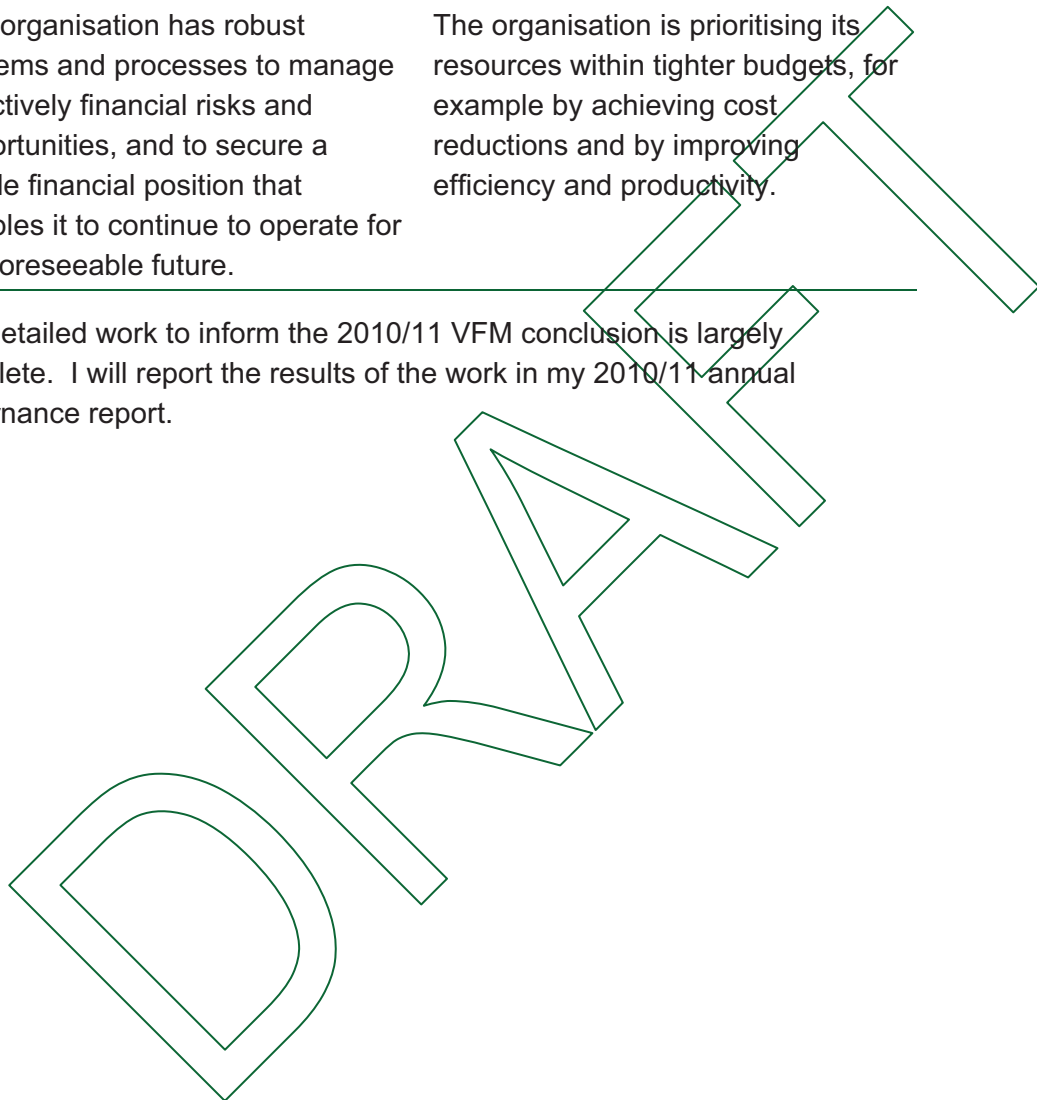
Criteria 1	Criteria 2
The organisation has proper arrangements in place for securing financial resilience.	The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

**Focus of criteria for 2010/11:**

The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

8 Detailed work to inform the 2010/11 VFM conclusion is largely complete. I will report the results of the work in my 2010/11 annual governance report.



# Contacts

The key members of the audit team for the 2010/11 are set out below.

Table 3: **Audit team contacts**

Role	Name	Contact Details
District Auditor	Helen Thompson	Tel: 0844 798 1790 e-mail: <a href="mailto:helen-thompson@audit-commission.gov.uk">helen-thompson@audit-commission.gov.uk</a>
Audit Manager	Simon Mathers	Tel: 0844 798 1776 e-mail: <a href="mailto:s-mathers@audit-commission.gov.uk">s-mathers@audit-commission.gov.uk</a>
Co-Team Leader	Jeremy Jacobs	Tel: 0844 798 6121 e-mail: <a href="mailto:j-jacobs@audit-commission.gov.uk">j-jacobs@audit-commission.gov.uk</a>
Co-Team Leader	Jessica Grange	Tel: 0844 798 6116 e-mail: <a href="mailto:j-grange@audit-commission.gov.uk">j-grange@audit-commission.gov.uk</a>

# AUDIT COMMITTEE

## Agenda Item 11

Brighton & Hove City Council

**Subject:** Annual Governance Statement 2010/11  
**Date of Meeting:** 28<sup>th</sup> June 2011  
**Report of:** Director of Finance  
**Contact Officer:** Name: Ian Withers Tel: 29-1323  
E-mail: [ian.withers@brighton-hove.gov.uk](mailto: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 2010/11 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. Once approved it will be signed by the Chief Executive and Leader.
- 1.3 The Statement will be published as a stand alone document. Also to comply with the Accounts & Audit Regulations 2011, the Annual Governance Statement will accompany the Statement of Accounts for the relevant year 2010/11.

#### 2. RECOMMENDATIONS:

- 2.1 Consider the Annual Governance Statement, comment accordingly and approve for publication.
- 2.2 Note in particular the actions to further improve governance arrangements. The Audit Committee will be updated during 2011/12 on the progress made.

#### 3. BACKGROUND INFORMATION:

- 3.1 The Accounts and Audit Regulations 2011 imposes a statutory requirement on all local authorities to conduct a review of the effectiveness of its governance arrangements and to publish the results in an 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 and overseen by the Officers' Governance Board.

#### **5 DRFAT ANNUAL GOVERNANCE STATEMENT**

- 5.1 The draft Annual Governance Statement for 2010/11 is shown at Appendix 1. It has been prepared generally in line with the CIPFA/SOLACE guidance and comprises the following:
- The purpose of the governance framework
  - The council's governance framework
  - Review of effectiveness
  - Governance Issues and actions for improvement
- 5.2 Implementation of actions will be monitored by Audit & Business Risk and reported back to the Officers' Governance Board and Audit Committee.

#### **6. CONSULTATION**

- 6.1 Internal consultation has been carried out with key officers and members of the Officers' Governance Board.

#### **7. FINANCIAL & OTHER IMPLICATIONS:**

- 7.1 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.

Anne Silley  
Business Engagement Manager  
Financial Services

15<sup>th</sup> June 2011

## 7.2 Legal Implications:

The statutory basis for this report is regulation 4 of the Accounts and Audit (England) Regulations 2011, which requires the council (among other matters):

- to conduct a review at least once a year of the effectiveness of its system of internal control
  - to ensure the findings of the review are considered by Full Council or one of its committees; and
  - following the review, to ensure that Full Council or one of its committees to approves an annual governance statement
  - to ensure the annual governance statement accompanies the council's statement of accounts for that year
- The Audit Committee is fulfilling these requirements as a committee of the Council designated for this purpose.

Oliver Dixon  
Lawyer

17 June 2011

## 7.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

## 7.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

## 7.5 Crime & Disorder Implications:

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

## 7.6 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”.

7.7 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 2010/11

### **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 2011 (Amended)
5. The Annual Governance Statement (CIPFA Finance Advisory Network)



# **Annual Governance Statement 2010/11**

# **Annual Governance Statement 2010/11**

## **Scope of Responsibility**

1. Brighton & Hove City Council (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.
2. 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.
3. 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* and is included in the Constitution of the council.
4. The Annual Governance Statement explains how the council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts & Audit Regulations 2011 in relation to the publication of a statement on internal control.

## **The Purpose of the Governance Framework**

5. Governance is about how the council ensures that it is doing the right things, in the right way, for the right people, in a timely, open, honest and accountable manner.
6. 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.
7. The governance framework is designed to manage risk to a reasonable level, rather than to eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.



8. During the year there have been radical changes to audit and inspection regimes. During 2010/11 the Comprehensive Area Assessment of local authorities, the National Performance Framework and associated National Indicators Set have been dismantled with the Audit Commission soon to be abolished. A guiding principle is that services should be held to account by their users and local authorities by their residents, rather than central government.

## **The Governance Framework**

9. The governance framework has been in place at the council for the year ended 31<sup>st</sup> March 2011, up to the date of approval of the Statement of Accounts. The council is committed to fulfilling its responsibilities in accordance with the highest level of good governance in order to become a council the City deserves.
10. Maintaining the governance framework is an on-going process, and one to which the council is committed in order to ensure continual improvement and organisational learning.
11. 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.

### **The council's vision and purpose and intended outcomes for its citizens and service users:**

12. The council played a leading role in the creation and development of the 2020 Community Partnership, and developed, together with our partners, an important part of its governance arrangements, Sustainable Community Strategy for the City, "Creating the City of Opportunities". This is regularly reviewed and refreshed to ensure it reflects changes and to maintain effectiveness.
13. The Corporate Plan 2008-11 provides a high level, strategic view of the council's priorities and is an essential part of the council's policy and planning framework. For 2010/11 it linked the Local Area Agreement and Community Strategy to the council's business and service plans and therefore ensures the day to day work of the council is focussed on its priorities. The Local Area Agreement ceased at the end of March 2011.
14. During 2010/11 the Brighton & Hove Strategic Partnership developed and introduced an action plan to support the Community Engagement Framework for the City. This sets out the strategic aims and guiding principles for community engagement within Brighton & Hove and priority actions that need to be taken to improve practice. The framework aims to achieve:
  - Investment in the development of people in both communities and organisations;

- Improvements in information and communication, particularly providing feedback;
- Better co-ordination and use of resources;
- Long-term, resourced, commitment to improving community engagement;
- Creation of opportunities to influence the outcome of decisions and tackle issues in communities; and
- Developing more creative ways to engage with people and communities that ensure everyone has a voice not just those that 'know how'.

:

15. In order to focus more on the needs of residents in an environment of financial constraints, the council commenced introducing an 'intelligent commissioning' operating model in 2010/11 for better decision making.
16. During the year, the council commenced profiling Brighton & Hove, providing a snapshot in terms of its characteristics and key issues to be used for creating shared priorities and for decision making in commissioning. The resulted will be reported in June 2011, 'State of the City Report'.

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

17. 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, resident's perceptions, measurable improvements in value for money, benchmarking, identification and management of key risks. These are being incorporated into the council's new Performance and Risk Management Framework.
18. Performance management processes are embedded throughout the council and regularly reported in accordance with agreed timescales. Quarterly reports were made through the year to the Strategic Leadership Board, Cabinet and Overview & Scrutiny Commission, based on a hierarchy of indicators both local and national.
19. The council's Corporate Plan 2008-11 includes clear performance targets for the three years. The council's Performance Plan shows the council's performance against targets for the past three years.

## Defining roles, responsibilities and behaviour

20. To ensure effective leadership throughout the council, members and officers work together to deliver a common purpose with clearly defined functions and roles. The Constitution includes the roles and responsibilities of the Executive, Committees, full Council and Chief Officers and the rules under which they operate. In particular how decisions are made and how procedures are to be followed to ensure that actions are efficient, legal, transparent and accountable to the community. Many of these processes are required by statute, while the council has determined others locally. The Monitoring Officer provides advice on the interpretation and application of the Constitution.
21. Executive decisions are made by the Executive Body being the Leader and Cabinet, within the overall policy and budgetary framework approved by full council. Any decisions the Executive wishes to take outside of the framework must be referred to the full council to decide. Scrutiny committees monitor the work of the Executive Body.
22. The Officers Strategic Leadership Board (SLB), including the Director of Finance, supports Members in the policy and decision making process.
23. The council introduced a major restructure during the year to support intelligent commissioning model, moving away from traditional directorate to commissioning and delivery units. **Intelligent commissioning is about changing the way the council works with its partners in the public, private and voluntary sector to create services that focus on the needs of our residents**
24. The Constitution describes the roles of statutory officers: the Head of Paid Service (Chief Executive), the Monitoring Officer (Head of Law & Democratic Services) and Section 151 Officer (Director of Finance). It also includes the Member and Officer Protocol, which sets out the principles and procedures as guidance.
25. 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.
26. The Standards Committee remit includes promoting and maintaining high standards of conduct and ethical governance. In response to the Localism Bill, the council is giving consideration to what arrangements it may take in the future to manage conduct.

### **The council's control framework, risk management and audit committee:**

27. The council's high-level policies and procedures are updated and regularly communicated to officers and members.
28. The principle documents include the Financial Regulations and Contract Standing Orders both of which were reviewed and updated during the year. There are other corporate policies on key governance topics, including Business Planning, Counter Fraud, Information Security, Equalities & Diversity, Health & Safety and Whistleblowing.
29. Risk management is embedded throughout the council and in its partnership working arrangements. The council's Risk Management Strategy is refreshed annually and shows the alignment of strategic risks and priorities.
30. The Audit Committee is independent of the executive and scrutiny functions and now embedded as a key part of the council's overall governance framework. Its terms of reference are aligned to CIPFA's best practice standards for Audit Committees. The membership is politically proportionate and the Chairman is an opposition Member.

### **Ensuring compliance with established policies, procedures, laws and regulations:**

31. All officers of the council have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions are provided as necessary and appropriate induction sessions are carried out.
32. Compliance assessments are carried out by management, auditors and through the work of statutory inspectors, including the Care Quality Commission and Ofsted. During 2010/11 an Ofsted Inspection of Safeguarding (children and young people) found the council has a good capacity to improve (2<sup>nd</sup> highest score) and that safeguarding arrangements are good.
33. The Head of Law & Democratic Services (the Monitoring Officer) has overall responsibility for ensuring the council acts lawfully and without maladministration. This includes reporting on any proposal, decision or omission by the council likely to contravene any enactment or rule of law or any maladministration. No such reports were necessary during 2010/11.
34. The Director of Finance (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. No reports were made during 2010/11 on any case of unlawful expenditure, loss or deficiency.

### **Economic, effective and efficient use of resources**

35. As part of the council's transformation agenda, the council has four year Value for Money Programme the main objective of which is to make financial savings. Other objectives include delivering services in new and better ways to increase user satisfaction.
36. Actual value for money savings achieved under the Programme for 2010/11 was £4.3M exceeding its planned target of £2.8M. Phase 2 of the Programme commenced during the year and contains six major projects:
  - Adult Services;
  - Children and Young Peoples Services;
  - ICT;
  - Work styles;
  - Procurement; and
  - Sustainable Transport.
37. To improve management of resources, there has been significant investment by the council in information systems. During 2010/11 a new Human Resources Management system was implemented to improvement the management of its workforce.

### **Financial Management and Reporting**

38. The council's Medium Term Financial Strategy (MTFS) is a complementary document to the Corporate Plan and is updated at least annually. It includes a Revenue Budget Strategy with a focus on improving value for money, a Capital Strategy, Housing Revenue Account position and a detailed financial risk assessment on the major areas of uncertainty.
39. CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) sets out the five principles that define the core activities and behaviours of the Chief Financial Officer. We confirm that the council's financial management arrangements conform to governance requirements of the Statement. The Director of Finance has the role of Chief Finance Officer.
40. The accession of the new coalition government in May 2010 signalled the start of a programme of significant changes in local authorities. The challenge of delivering services with the reduced budget allocation from the Government confirmed in October's Comprehensive Spending Review, was planned for in advance although the actual amount was higher than expected.

41. Local authorities are being required to publish more information on spending to enable local residents to hold the council to account as part of the Transparency Agenda. A new requirement was introduced during 2010/11 and the council now publishes all payments to suppliers of over £500.

### **Whistleblowing and receiving complaints from the public**

42. The council is committed to the highest possible standards of openness, probity and accountability. The council's Whistleblowing Policy for raising a confidential concern 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 available on the council's 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 Head of Audit & Business Risk and investigated.
43. 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 roles and needs of officers and Members**

44. 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.
45. 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 including governance for both members and officers starting with the council.
46. 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**

47. The Community Engagement Framework for the city introduced in 2010/11 by the Brighton & Hove Strategic Partnership, aimed to improve the ways in which citizens and communities can influence and shape services through improved communication.
48. Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. The council publication City News is distributed quarterly to nearly 100,000 homes across the City and also available on the council's website and at key access points across the City.
49. It includes news and features about the council and its partners that helps to inform residents on issues facing the city before decisions are made. In addition, the Council Tax leaflet, containing details of the council's budget, is distributed annually with Council Tax bills.
50. 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.
51. 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.
52. All meeting agendas and reports for consideration by members are published on the council's website in advance of meetings and hard copies are available from Kings House, Brighton Town Hall and Hove Town Hall. All meetings are held in public unless there are good reasons for confidentiality and certain ones are webcast live and archived on the council's website. A number of meetings are also web-cast providing a further channel of access demonstrating openness and transparency of decision making.

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

53. 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. During 2010/11 the council worked 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.

54. 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.
55. Agreements have been developed between the 2020 Community Partnership and the other members of the family of partnerships to bring a focus on service delivery. The council's Overview and Scrutiny Commission provides an independent role in examining service delivery.
56. The Public Services Board is accountable to the LSP and is chaired by the council's Leader. This has a role in the City's leadership ensuring the quality and effectiveness of public service in the City.

## **Review of Effectiveness**

57. 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.
58. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework 2010/11 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 provision of internal audit including 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 council's counter fraud arrangements including strategy, programme of reactive and proactive work;
  - The assurance of senior managers through the development of strategic and operational (service level) risk registers;
  - Findings and comments made by the External Auditors and other review agencies and inspectorates such as the Care Quality Commission and Ofsted; and



- The review of performance management and financial reporting.

## Governance Issues

59. The annual effectiveness review of governance arrangements referred to above identifies a number of issues that require actions for improvement.
60. In considering the governance issues contained in the Annual Governance Statement for 2009/10, the following enhancements have **been achieved** during 2010/11:
- Carry out a comprehensive Fraud Risk Analysis and Measurement review;
  - Reviewed and updated the council's constitution and related documents to reflect organisational changes; and
  - Reviewed the council's performance management framework.
61. In addition to the above, a number of actions referred to in the Annual Governance Statement for 2009/10 for the year 2010/11, are ongoing supported by detailed plans and timetables:
- 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
  - A more centralised and compliance approach to procurement and contract management including category management and contract management information system;
  - Update the Corporate Plan to reflect council priorities and the change in the council structure
  -
62. In response to the significant financial challenges facing the council, **new actions** have been identified to improve the governance arrangements, from the effectiveness review and detailed action plans developed.
63. Fundamental changes will be required to the council's governance framework as a result of financial constraints and a move to the new intelligent commissioning operating model. Actions include:
- Implement a new Performance and Risk Management Framework that will include regular 'Organisational Health Reports';
  - Implement a new Business Planning process and use of dedicated software;
  - Introduce a new People Strategy for effective workforce planning;
  - Review longer terms changes to partnership with Health in particular structures and processes and revising Section 75 agreements;
  - Introduce a new Corporate Plan and Medium Term Financial Strategy for new priorities and response to financial pressures;
  - Implement a new approach to budget consultation and engagement;

- Respond to challenges and opportunities from the Localism Bill currently going through Parliament, including standards of conduct; and
  - Embedding risk management software for effective recording and reporting of strategic and operating risk including partnership.
64. All new and actions in progress will be monitored by the Officers' Governance Board and Audit Committee during 2011/12.
65. 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 Bill Randall  
Leader of the Council**

**Dated:**

**Dated:**

# AUDIT COMMITTEE

## Agenda Item 12

Brighton & Hove City Council

**Subject:** Review of the Effectiveness of Internal Audit 2010-11  
**Date of Meeting:** 28<sup>th</sup> June 2011  
**Report of:** Director of Finance  
**Contact Officer:** Name: **Ian Withers** Tel: **29-1323**  
Email: **ian.withers@brighton0hove.gov.uk**  
**Wards Affected:** All

### FOR GENERAL RELEASE

#### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 The council is required to conduct an annual review of the effectiveness of its Internal Audit, the findings of which to be considered by a committee (the Audit Committee) of that body.
- 1.2 This is the third year the Audit Committee has been presented with a review of the effectiveness of Internal Audit. The process is also regarded as part of the wider annual review of the council's governance arrangements and production of the Annual Governance Statement.
- 1.3 An effective Internal Audit service is a key part of the council's governance arrangements and for adding value to its services.

#### 2. RECOMMENDATIONS:

It is recommended that the Audit Committee:

- 2.1 Considers the findings of the review of the effectiveness of the system of internal audit for 2010/11 and notes actions arising for minor improvement.
- 2.2 Notes the conclusion of the review that based upon the results, the council's Internal Audit is considered to be operating in accordance with accepted professional practice and remains effective and that the council can therefore continue to place reliance on its Internal Audit arrangements for the purpose of the Annual Governance Statement.

### **3. BACKGROUND**

#### **Legislative Requirements**

- 3.1 Regulation 6 of the Accounts and Audit Regulations 2011 requires the council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Further it must at least once in each year, conduct a review of the effectiveness of its internal audit and have the findings considered by a committee.
- 3.2 All local authorities have a statutory requirement to make provision for internal audit and for the purpose of the regulations, in accordance with proper standards of professional practice, as set out in the CIPFA Code of Practice for Internal Audit in Local Government (2006).
- 3.3 This is the third year that the Audit Committee has been presented with a back ward looking review of the effectiveness of internal audit.

#### **Defining the effectiveness of Internal Audit**

- 3.4 To be “effective” the Internal Audit shall aspire to:
- Provide credible and evidenced assurance to management on the operation of the internal control environment
  - Provide appropriate advice and support to management to ensure efficiency, effectiveness and economy of their services and functions and to help them respond to new and emerging issues
  - Act as a catalyst for change, add value and assist in achieving the authority’s objectives (i.e. solutions and impact in making a positive difference)
  - Understand its position within the authority and plan and undertake its work accordingly, working in partnership with relevant stakeholders
  - Help shape the ethics and culture of the organisation
  - Utilise and target its resources efficiently and effectively

## 4. PROCESS

### **Code of Practice for Internal Audit in Local Government**

- 4.1 As the 'Code of Practice for Internal Audit in Local Government' (CIPFA) 2006 (the Code) is considered proper practice for Internal Audit under the Accounts and Audit Regulations 2011, Internal Audit was assessed against the checklist contained within the Code. The Code comprises eleven standards (or principles), thirty seven related areas and one hundred and six specific questions to form the basis of assessment.
- 4.2 The Standards comprise the following areas:
- 1) Scope of Internal Audit (Terms of Reference)
  - 2) Independence
  - 3) Ethics of Internal Auditors
  - 4) Audit Committee (including Internal Audit's relationship with the Audit Committee)
  - 5) Relationships (with management, elected Members and other auditors)
  - 6) Staffing, Training and Continuing Professional Development
  - 7) Audit Strategy and Planning
  - 8) Undertaking Audit Work
  - 9) Due Professional Care
  - 10) Reporting
  - 11) Performance, Quality and Effectiveness
- 4.3 Further details of the areas under each standard and a summary of compliance against the CIPFA Code of Practice Checklist is shown at Appendix 1.

### **Benchmarking of Internal Audit**

- 4.4 The council is a member of the CIPFA Benchmarking Club for which data is submitted to provide comparisons with other unitary councils. Data from the report provided was used to provide further evidence to support the effectiveness review.

### **Statement on the Role of the Head of Internal Audit**

- 4.5 In December 2010, CIPFA published a 'Statement on the Role of the Head of Internal Audit in public sector organisations'. The Statement sets out best practice for Heads of Internal Audit to aspire to measure against. The Statement sets out five principles that define the core activities and behaviours of the Head of Internal Audit. In addition the Statement sets out the governance arrangements required within an organisation to ensure that Head of Internal Audit are able to operate effectively.
- 4.6 A detailed review against the Statement was carried out to identify issues of non compliance.

## **Independent Review**

4.7 Professional guidance to undertaking the effectiveness review suggests there are a number of options available for carrying out by local authorities, including:

- The Head of Internal Audit
- A sub-group of the audit committee
- A review group of officers
- Peer review
- External assessment, or
- A group of members and officers

4.8 The 2010/11 review was carried out by the Head of Audit & Business Risk with an independent peer review carried out by the Assistant Director Audit for the London Borough of Bromley.

## **5. FINDINGS OF REVIEW**

### **Code of Practice for Internal Audit in Local Government**

5.1 Compliance against the criteria (106) contained in the CIPFA Code of Practice is considered to be as follows:

- Full Compliance 101 (95%)
- Partial Compliance 4 (4%)
- No Compliance 0 (0%)
- Not applicable 1 (1%)

5.2 The not applicable criteria item relates to a paper based audit documentation system, whereas the council's Internal Audit documentation process fully electronic.

5.3 Those criteria assessed as partial are minor in nature and not considered to impact on the effectiveness of Internal Audit. Actions that will be taken during 2011/12 to address partial compliance are:

- Finalise protocol with external audit;
- Updating of the Audit Manual; and
- Formalise restriction of Internal Audit staff from auditing systems where they have been involved in providing consultancy on its development.

5.4 The fourth partial compliance relates to the Head of Audit & Business Risk to report in his or her own name. The only exception to this is in respect of committee

reports for Internal Audit, which in accordance with the council's protocol, are in the name of the Director of Finance. The Head of Audit & Business Risk is however the author of the committee reports and has a high degree of autonomy as to their contents. There is therefore no action required to address this partial non compliance.

- 5.5 The Head of Audit & Business Risk will be responsible for ensuring the implementation of the action to achieve full compliance with the Code and actions for improvement.

### **Benchmarking of Internal Audit**

- 5.6 Results from the 2010/11 benchmarking exercise showed the council's Internal Audit to be in the upper quartile in terms of performance and efficiency and lower quartile in terms of service costs when compared with other unitary councils. No actions are required.

### **Statement on the Role of the Head of Internal Audit**

- 5.7 The assessment against the criteria contained in the Statement identified no significant non compliance issues but the following are actions to be taken:
- A mechanism, to ensure that the Head of Audit & Business Risk is consulted on all proposed major projects, programmes and policy initiatives;
  - Formal agreement of the Internal Audit Strategy & Annual Plan by the Corporate Management Team in addition to current agreement on an individual basis of service coverage;
  - The Head of Audit & Business Risk's responsibilities relating to partnerships to be formally documented

### **Independent Review**

- 5.8 The peer review carried out by the Assistant Director Audit for the London Borough of Bromley confirmed the results of the assessment carried out by the Head of Audit & Business Risk.

## **6. FINANCIAL & OTHER IMPLICATIONS:**

### **6.1 Financial Implications:**

All improvements identified within this review will be funded from within the existing budget of Audit & Business Risk of £590k for 2011/12.

Anne Silley  
Business Engagement Manager, Financial Services

15<sup>th</sup> June 2011

## 6.2 Legal Implications:

The Audit Committee is the council's designated committee for discharging the statutory duty under Part 2 of The Accounts and Audit (England) Regulations 2011 to consider the findings of the council's review of the effectiveness of its system of internal control.

Oliver Dixon  
Lawyer

16<sup>th</sup> June 2011

## 6.3 Equalities Implications:

When carrying out audit work, any equality issues identified are reported to the appropriate level of management. The Internal Audit Strategy and Annual Audit Plan recognises the council's priorities in respect to Equality and Diversity and how Internal Audit will meet them.

## 6.4 Sustainability Implications:

When carrying out audit work, any sustainability issues identified are reported to the appropriate level of management.

## 6.5 Crime & Disorder Implications:

When carrying out audit work, any crime and disorder issues identified are reported to the appropriate level of management.

## 6.6 Risk and Opportunity Management Implications:

The preparation of the Internal Audit Strategy and annual Audit Plan has taken into account the adequacy, outcomes of the council's risk management and other assurance processes. The work of Internal Audit assists the council in improving controls to mitigate risks. The Annual Audit Plan will be flexible to take account of emerging risks and priorities of the council.

## 6.7 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. Compliance with the CIPFA Code of Practice Checklist Summary

### **Background Documents**

1. Accounts & Audit Regulations 2011 (Amended)



2. CIPFA Code of Practice for Internal Audit in Local Government 2006 and checklist.
3. Internal Audit Strategy and Annual Audit Plan 2010/11
4. Internal Audit Terms of Reference for the Council

## Compliance with the CIPFA Code of Practice for Internal Audit Checklist Summary

CIPFA Standard	Areas	Total No. criteria for standard	No. of FULLY MET criteria	No. of PARTIALLY MET criteria	No of NOT MET criteria	No. of N/A criteria
Scope of Internal Audit	Terms of Reference Scope of Work Other Work Fraud & Corruption	9	9	0	0	0
Independence	Principles of Independence Organisational Independence Status of Head of Internal Audit Independence of Internal Audit Contractors Declarations of Interest	10	9	1	0	0
Ethics for Internal Auditors	Purpose Integrity Objectivity Competence Confidentiality	6	6	0	0	0
Audit Committees	Purpose of the Audit Committee Internal Audit's relationship with the Audit Committee	6	6	0	0	0

CIPFA Standard	Areas	Total No. criteria for standard	No. of FULLY MET criteria	No. of PARTIALLY MET criteria	No of NOT MET criteria	No. of N/A criteria
Relationships	Principles of Good Relationships Relationships with Management Relationships with Other Internal Auditors Relationships with External Auditors Relationships with Other Regulators and Inspectors Relationships with Elected Members	8	7	1	0	0
Staffing, Training and Continuing Professional Development	Staffing Internal Audit Training and Continuing Professional Development	7	7	0	0	0
Audit Strategy and Planning	Audit Strategy Audit Planning	11	11	0	0	0
Undertaking Audit Work	Planning Approach Recording Audit Assignments	11	10	0	0	1
Due Professional Care	Responsibilities of the Individual Auditor Responsibilities of the Head of Internal Audit	3	3	0	0	0

<b>CIPFA Standard</b>	<b>Areas</b>	<b>Total No. criteria for standard</b>	<b>No. of FULLY MET criteria</b>	<b>No. of PARTIALLY MET criteria</b>	<b>No of NOT MET criteria</b>	<b>No. of N/A criteria</b>
Reporting	Principles of Reporting Reporting of Audit Work Follow-up Audits and Reporting Annual Reporting and Presentation of Audit Opinion	16	15	1	0	0
Performance, Quality and Effectiveness	Principles of Performance, Quality and Effectiveness Performance and Effectiveness of the Internal Audit Service	19	18	1	0	0
<b>Totals</b>		<b>106</b>	<b>101</b>	<b>4</b>	<b>0</b>	<b>1</b>

# AUDIT COMMITTEE

## Agenda Item 13

Brighton & Hove City Council

**Subject:** Audit Committee Annual Report 2010/11  
**Date of Meeting:** 28<sup>th</sup> June 2011  
**Report of:** Director of Finance  
**Contact Officer:: Name:** Ian Withers, Head of Audit & Business Risk  
**Tel** 29-1323  
**E-mail:** [ian.withers@brighton-hove.gov.uk](mailto:ian.withers@brighton-hove.gov.uk)  
**Wards Affected:** All

### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 This draft report attached at Appendix 1 provides a summary of the Audit Committee's performance and achievements during 2010/11. It has been prepared on behalf of the Audit Committee members.
- 1.2 The preparation of an annual report is recognised as best practice for Audit Committees in providing assurance over its role by the Chartered Institute of Public Finance and Accountancy.

### 2. RECOMMENDATIONS:

It is recommended that the Audit Committee:

- 2.1 Considers the draft report at Appendix 1 and makes any amendments and additions it deems necessary.
- 2.2 Refer the report (incorporating any amendments and additions) to Full Council for approval.

### 3. BACKGROUND

- 3.1 The Audit Committee (the Committee) was established in May 2008, replacing the previous Audit Panel. Its purpose is contained in the Terms of Reference attached at Appendix A.
- 3.2 Whilst there is no statutory requirement for a local authority to establish an Audit Committee it is implied by the Accounts and Audit (England) Regulations 2011 (as amended) and recognised across both the private and public sectors as a key component of corporate governance.

3.3 The key benefits of an effective Audit Committee are:

- Raising greater awareness of the effectiveness and continued development of the council's governance arrangements;
- Increasing public confidence in the objectivity and fairness of financial and other reporting; and
- Reinforcing the importance and independence of internal and external audit.

#### 4. CONSULTATION

4.1 None

#### 5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

The costs of the Audit Committee and its work programme including officer support and training is met from existing budgetary provision.

*Finance Officer Consulted: Anne Silley 15<sup>th</sup> June 2011*

5.2 Legal Implications:

The report is made under the Committee's power to consider and make recommendations to Full Council on matters relating to or affecting the Committee's functions.

*Lawyer Consulted: Oliver Dixon 16<sup>th</sup> June 2011*

#### Equalities Implications:

5.3 There are no equalities implications arising.

#### Sustainability Implications:

5.4 There are no sustainability implications arising.

#### Crime & Disorder Implications:

5.5 There are no crime and disorder implications arising.

Risk and Opportunity Management Implications:

- 5.6 There are no direct risk and opportunity management implications arising.

Corporate / Citywide Implications:

- 5.7 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. Audit Committee Annual Report 2010/11

**Background Documents**

1. Reports to the Audit Committee May 2010 – May 2011







**Brighton & Hove  
City Council**

# **AUDIT COMMITTEE**

## **ANNUAL REPORT 2010/11 (Draft)**

**Councillor L. Hamilton, Chairman**

## Foreword by the Chairman of the Audit Committee



This is my third year as Chair and I am pleased to present the Audit Committee's Annual Report for the 2010/11 municipal year. 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 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 be increasingly vigilant to the risk of fraud.

I would like to take the opportunity to thank both the committee members and the officers that support the committee's work. Special thanks are also due to David Watkins for his commitment and support as Deputy Chair over three years.

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 now in its fourth municipal year, succeeding the Audit Panel. The Committee's activities during 2010/11 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
3. A copy of the Committee's Terms of Reference is shown at Appendix A.
4. This is the second annual report from the council's Audit Committee. It is produced in accordance with latest best practice<sup>1</sup> and details the work and outcomes of the Committee in 2010/11 and that the council is committed to working as an exemplar organisation, operating to the highest standards of governance.

## Audit Committee Work Programme and Members

5. During the 2010/11 municipal year there were 5 meetings of the Committee. All had full agendas and in total considered 42 reports, had 2 presentations and 3 verbal updates.
6. The rolling and flexible work programme covers the Committee's main areas of activity which is continually reviewed and amended to reflect changes in policies, priorities and risks. A summary of the work programme is shown at Appendix B.
7. The Committee consists of 10 Members and detailed for 2010/11 in Table 1 below. Nominated substitutes attended meetings as required.

**Table 1: Members of the Audit Committee 2010/11**

<b>Member</b>	<b>Role</b>
Councillor Les Hamilton	Chair
Councillor David Watkins	Vice Chair
Councillor Jason Kitcat	Member
Councillor Brian Oxley	Member
Councillor Pat Drake	Member
Councillor Steve Harmer-Strange	Member
Councillor Bill Randall	Member
Councillor David Smith	Member
Councillor Christine Simpson	Member

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

Councillor Ann Norman	Member
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8. A rolling and flexible work programme has been agreed for the Committee's main areas of activities

## **Training & Development**

9. 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.
10. There were no specific training sessions during 2010/11 but integrated (briefings) into committee meetings and regular meetings with Chair and Deputy Chair.

## **Core Activities 2010/11**

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

### **Internal Audit**

12. Internal Audit is a key source of assurance for both officers and Members on the effectiveness of the control environment and governance. The Committee has responsibility for ensuring that Internal Audit is effective in the provision of that assurance.

During the year the Committee has:

- Approved the Internal Audit Strategy and Annual Plan for 2011/12;
- Considered regular Internal Audit Progress Reports from the Head of Audit & Business Risk highlighting 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;
- Ensured the internal audit and external audit plans were complementary and provided optimum use of the total audit resource;
- Ensured Internal Audit is effective in the provision of key assurance on an ongoing basis; and

- Continue to provide support to the Internal Audit service to ensure management is responsive to recommendations made and agreed.

### **External Audit**

13. External Audit which is currently provided by the Audit Commission is an essential part of the process of accountability of public funds, providing an independent opinion on the financial statements as well as arrangements for securing value for money across the council.
14. At its June meeting, the Committee were advised that the Government had stopped all work on the Comprehensive Area Assessment which included the Use of Resources.
15. In August 2010, the Department for Communities and Local Government announced plans to disband the Audit Commission and refocusing of the audit of local public bodies. In March 2011 it further issued a consultation draft entitled the “Future of Local Public Audit”. This also included proposals to changes to the structure of audit committees and for them to have responsibility for recommending the appointment of external auditors.
16. During the year the Committee:
  - Considered the Audit Commission’s Annual Audit Plan;
  - Considered progress reports against the plan;
  - Considered Fees Letters;
  - Receive and considered Annual Audit Letter for 2009/10; and
  - Considered individual reports from reviews carried out including Housing Repairs and Maintenance Contract.

### **Risk and Opportunity Management**

17. During the year Committee:
  - Received and considered Risk and Opportunity Corporate Register Updates;
  - Considered the outcomes of the Risk and Opportunity Management Programme;
  - Overseen the transition to a Strategic Risk Management Strategy;
  - Received a briefing on the new risk management “self service” software (Interpan) and considered reports generated;
  - Received the Annual Risk Management Report; and
  - Received and considered individual risk maps on corporate risks, in particular on emerging risks and areas of concern (for example financial outlook).

## **Internal Control and Governance**

18. A pivotal role of the Committee is its work in developing the council's internal control and assurance processes. During the year there were no major break-downs in internal control, governance and risk management reported.
19. During the year the Committee:
  - Considered and agreed the council's Annual Governance Statement a key document which summarises the council's governance arrangements and the effectiveness of these during the year;
  - Received updates on actions for improvements from the Annual Governance Statement;
  - Was requested and provided a letter to the District Auditor on providing assurance from those charged with governance; and
  - Continued to raise the profile of internal control and governance across the council and of the need to ensure audit recommendations for improvement are implemented.

## **Counter Fraud**

20. Countering fraud and corruption is the responsibility of every Member and officer of the council. There were no major incidences of fraud reported to the Committee during 2010/11.
21. During the year the Committee:
  - Considered the outcome of counter fraud activity as part of the Head of Audit & Business Risk's Annual Report;
  - Monitored and supported the actions of officers in particular those by Audit & Business Risk to counter fraud;
  - Were made aware of national emerging fraud and corruption issues that could impact on the council for example housing tenancy fraud;
  - We were made aware of the outcome from the National Fraud Initiative (NFI); and
  - Received a report and presentation on Fraud Risk Analysis and Loss Measurement exercise on the council's potential exposure to fraud which projected a significant level of potential fraud loss as a whole to the council.

## **Financial**

22. During the year the Committee:
  - Considered and approved the Annual Statement of Accounts, asking a number of questions on the content;

- Considered the external auditor's report on the accounts and council's responses to comments;
- Received periodic reports for information, on the council's budget performance (TBM) asked questions and helped to inform the approval of end of year Statement of Accounts; and
- Received updates and progress made on implementing the requirements of the International Financial Reporting Standards.

### **Other Activities**

23. During the year the Committee:

- Considered reports on Treasury Management Policy Update and Annual Investment Strategy, providing an independent scrutiny role.

### **Looking Forward**

24. We want to continue to develop our role and build on our current status. For 2011/12 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 management including the risk management software;
- Ensure the effectiveness of the council's response to existing and key risks emerging including resulting from financial pressures and transformation;
- 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;
- Ensure the council continues to manage the risk of fraud and corruption, in particular by taking further proactive measures for example awareness training;
- Equip existing and new Members to fulfil responsibilities by providing training, briefings and good practice guidance;
- Respond to changes imposed by legislation and from best practice on the structure and activities of the Audit Committee to ensure its continued effective role;
- Undertake a comprehensive review of the effectiveness of the Committee; and
- To keep abreast of developments and respond as required to changes in the Public Audit Agenda.

## **Audit Committee Terms of Reference (Agreed by Council in April 2008)**

### **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)



## Appendix B

### Summary of the Audit Committee Work Programme 2010/11

Meeting Date	Report	Area	
<b>18<sup>th</sup> May 2010</b>	Update on International Financial Reporting Standards (IFRS) and Code of Practice on Local Authority Accounting – Statement of Recommended Practice (SORP)	Financial Management	
	Audit Commission Progress Report 2009/10	External Audit	
	Assurances from the Audit Committee and the body charged with Governance 2009/10	Internal Control & Governance	
	Internal Audit Strategy & Annual Plan 2010/11	Internal Audit	
	Risk and Opportunity Management Update	Internal Audit	
	Review of the Effectiveness of Internal Audit	Internal Control and Governance	
Part 2	Corporate Risk Management Action Plan – Council Housing Stock Condition	Risk Management	
<b>29<sup>th</sup> June 2010</b>	Audit Commission Progress Report 2009/10	External Audit	
	Audit Committee Annual Report 2009/10	Internal Control and Governance	
	Statement of Accounts 2009/10	Financial Management	
	Annual Governance Statement 2009/10	Internal Control and Governance	
	Assurances from those charged with governance	Internal Control and Governance	
	Audit Commission Supplementary Opinion Audit Plan	External Audit	
	Internal Audit Annual Report and Opinion 2009/10	Internal Audit	
	Targeted Budget Management Provisional Out Turn 2009/10	Financial Management	
	Risk and Opportunity Management Update – Corporate Risk Register	Risk Management	
	Part 2	Corporate Risk Management Action Plans Focus	Risk Management
		Internal Audit Annual Report and Opinion 2009/10 – Audit Reviews giving limited assurances	Internal Audit
<b>28<sup>th</sup> September 2010</b>	Internal Audit Progress Report 2010/11	Internal Audit	
	Targeted Budget Management (TBM) Month 4	Financial Management	
	Risk and Opportunity Management Annual Report 2009/10 and Programme 2010/11	Risk Management	
	Audit of Accounts ended 31 <sup>st</sup> March 2010 letter of representation and Statement of Accounts Update	Financial Management	
	Audit Commission: Annual Governance Report 2009/10	External Audit	
	Abolition of the Audit Commission (Verbal Update)	External Audit	
	Part 2	Corporate Risk Management Action Plans Focus CR15 Effective Procurement Process and Co-ordinated Organisational Compliance	Risk Management
	<b>14<sup>th</sup> December 2010</b>	Treasury Management Policy Statement 2010/11 (including Annual Investment Strategy 2010/11)	Other Activities
		Proposed review of the effectiveness of the Audit Committee	Internal Control and Governance
		Internal Audit Progress Report 2010/11	Internal Audit
Annual Governance Statement 2009/10 Action Plan Update		External Audit	

Meeting Date	Report	Area
	Risk and Opportunity Management (ROM) Update	Risk Management
	Targeted Budget Management (TBM) Month 6	Financial Management
	Audit Commission Progress Report	External Audit
	Audit Commission Annual Audit Letter 2009/10	External Audit
	Audit Commission Review of Housing Repairs and Maintenance Contract 2009/10	External Audit
Part 2	Fraud Risk Analysis and Loss Measurement	Internal Audit
	Corporate Risk Management Action Plans Focus	Risk Management
<b>5<sup>th</sup> April 2011</b>	Annual Statement of Accounts 2010/11 Progress Update and International Financial Report Standards (IFRS) Verbal Update	Financial Management
	Targeted Budget Management (TBM) Month 9	Financial Management
	Treasury Management Policy Statement	Other Activities
	Annual Investment Strategy 2011/12	Other Activities
	Internal Audit Strategy and Annual Audit Plan 2011/12	Internal Audit
	Risk and Opportunity Update and Strategic Risk Register	Risk Management
	Audit Commission Progress Report 2010/11	External Audit
	Audit Commission Certification of Claims and Returns Annual Report	External Audit
	Audit Commission Fees Letter	External Audit
	Audit Commission Assurance from the Audit Committee as the Body charged with Governance 2010/11	External Audit

<b>Subject:</b>	<b>Targeted Budget Management (TBM) Provisional Outturn 2010/11</b>		
<b>Date of Meeting:</b>	<b>28 June 2011 (Agreed at Cabinet 9 June 2011)</b>		
<b>Report of:</b>	<b>Director of Finance</b>		
<b>Contact Officer:</b>	<b>Name: Jeff Coates</b>	<b>Tel: 29-2364</b>	
	<b>E-mail: jeff.coates@brighton-hove.gov.uk</b>		
<b>Key Decision:</b>	<b>Yes</b>	<b>Forward Plan No: CAB21073</b>	
<b>Wards Affected:</b>	<b>All</b>		

**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 2010/11. The outturn position is subject to external audit. The council's financial statements must be signed by the Chief Finance Officer by 30 June 2011 and the audited set approved by the Audit Committee by 30<sup>th</sup> September 2011.

**2. RECOMMENDATIONS:**

- 2.1 That Cabinet notes the provisional outturn position for the General Fund, which is an underspend of £2.560m.
- 2.2 That Cabinet notes the provisional outturn for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2010/11.
- 2.3 That the Cabinet approve the carry forwards as detailed in Appendix 3.
- 2.4 That the Cabinet note the provisional outturn position on the capital programme.
- 2.5 That the Cabinet approve the following changes to the capital programme:
- i) The budget reprofiling as set out in Appendix 4;
  - 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 5.

**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 council has been aware since the in-year grant reductions announced in June 2010 and the subsequent Comprehensive Spending Review in October 2010 that local government finance would be subject to significant funding reductions. The plans put in place to reduce expenditure in the year and to control all non-essential spend were designed to ensure that the council was in a strong position to deal with these financial challenges, particularly their longer term impact. The overall outturn has reduced significantly since the TBM9 position with particular improvements to the trends on corporate critical budget. 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 Outturn Month 9 £'000	Directorate	2010/11 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(230)	Adult Social Care	38,288	38,032	(256)	-0.7%
258	S75 Learning Disability Services	24,105	24,252	147	0.6%
307	Children & Young People's Trust	53,644	52,965	(679)	-1.3%
18	Finance & Resources	19,521	20,230	709	3.6%
269	Strategy & Governance	14,749	15,203	454	3.1%
681	Environment	34,873	34,991	118	0.3%
(150)	Housing, Culture & Enterprise	28,408	28,052	(356)	-1.3%
1,153	Sub Total	213,588	213,725	137	0.1%
(2,866)	Centrally Managed Budgets	(7,893)	(10,590)	(2,697)	34.2%
(1,713)	Total Council Controlled Budgets	205,695	203,135	(2,560)	-1.2%
582	NHS Trust managed S75 Services	14,199	14,199	-	0.0%
(1,131)	Total Overall Position	219,894	217,334	(2,560)	-1.2%

3.3 The Total Council Controlled Budgets line in the above table represents the total provisional outturn on 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. The financial risk for these services generally lies with the relevant provider Trust. As detailed in Appendix 1 agreement has been reached to share the Sussex Partnership Foundation Trust overspend between the Council and the Trust. This has resulted in a break even position after a contribution from the Council of £0.212m which is included within the Adult Social Care outturn in the table above. The provisional outturn on the HRA is shown in the table below and a detailed analysis is provided in Appendix 1.

Forecast Outturn Month 9 £'000	<b>Housing Revenue Account</b>	2010/11 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(783)	Expenditure	48,294	46,614	(1,680)	-3.5%
381	Income	(48,294)	(47,991)	303	0.6%
(402)	Total	-	(1,377)	(1,377)	

### Corporate Critical Budgets

- 3.4 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 Outturn Month 9 £'000	<b>Corporate Critical</b>	2010/11 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
251	Child Agency & In House	22,328	22,293	(35)	-0.2%
332	Sustainable Transport	(843)	(770)	73	8.7%
(290)	Housing Benefits	175,500	175,525	25	0.0%
(827)	Concessionary Fares	7,687	6,741	(946)	-12.3%
(385)	Community Care	22,771	22,418	(353)	-1.6%
258	Section 75 Learning Disabilities	24,105	24,252	147	0.6%
(661)	Total Council Controlled	251,548	250,459	(1,089)	-0.4%
582	S75 NHS & Community Care	14,199	14,199	-	0.0%
(79)	Total Corporate Critical Budgets	265,747	264,658	(1,089)	-0.4%

### Carry Forward Requests

- 3.5 Cabinet approval is required for carry forward requests in excess of £0.050m per former Assistant Director area. These total £4.562m and have been included in the outturn figures above. A detailed breakdown is shown in Appendix 2. These have been proposed where funding has been allocated for projects or partnership working that crosses over financial years.

### Capital Budget 2010/11

- 3.6 This part of the report provides Members with details of the capital programme provisional outturn for 2010/11, which highlights any programme slippage and budget changes and seeks approval for carry forwards (re-profiling) to the 2011/12 programme. Appendix 3 to this report shows the proposed changes to the budget, resulting in a final 2010/11 capital programme budget of £87.482m. Delays have been identified in some projects due to factors outside of our

control. Appendix 4 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. Project managers have identified that the net slippage on the capital programme amounts to £2.357m of which £0.546m is devolved to schools leaving a net balance of £1.810m, or 2.07% of the amended budget. Appendix 5 details the significant projects where there is slippage that has not been previously reported. Appendix 6 provides explanations of capital outturn variances greater than £0.050m.

### **Capital Receipts**

- 3.7 Capital receipts are used to support the capital programme. For 2010/11 capital receipts (excluding 'right to buy' sales) of £1.227m have been received which includes the disposal of Cedars Lodge, the final balance on Pioneer House and the deposits for American Express and Charter Hotel. The target for capital receipts was £1.125m and this has been exceeded by £0.102m.
- 3.8 The level of sales of council homes through 'right to buy' continue to be affected by the current poor 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 2010/11 is £0.397m, the target level of net receipts was £0.492m, a shortfall of £0.095m.

### **Comments by the Director of Finance**

- 3.9 This is the last financial report that will include financial information based on the old council structure. During the changes made during the year, the targeted budget management process has remained robust with clear accountabilities for the whole period. This stability has contributed significantly to the overall outturn position. At budget setting time the assumed outturn position was an underspend of £1.597m including the reversal of the provision for S117 Mental Health Act which is no longer required. The provisional outturn will contribute an additional £0.963m to unallocated general reserves which leaves a total unallocated general reserves balance of £1.243m.
- 3.10 The substantial Value for Money Programme for 2010/11 has exceeded its savings target delivering £4.307m against a budget of £2.809m. This will need to be continued in order to meet the challenging budget targets for 2011/12 and beyond.
- 3.11 The provisional outturn position on the revenue budget shows an improvement since month 9. Every effort was made at the time that the budget for 2011/12 was set to ensure the 2010/11 forecasts were as accurate as possible. These took into account the impact of the in-year savings, the trends on the corporate critical budgets and the spending constraints. There are no significant additional recurrent financial pressures included in this outturn position that haven't already been incorporated in the 2011/12 budget.

## **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 Decisions taken in relation to the budget must enable the council to observe its legal duty to achieve best value by securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The council must also comply with its general fiduciary duties to its Council Tax payers by acting with financial prudence, and 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: 19/05/11*

### 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 £9.000m 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 provisional outturn position on Council controlled budgets is an underspend of £2.560m, any underspend will be added to unallocated general reserves unless approval is given to allocate funds to specific reserves or contingencies. At budget setting time the assumed outturn position was an underspend of £1.597m including the reversal of the provision for S117 Mental Health Act which is no longer required. The provisional outturn will contribute an additional

£0.963m to unallocated general reserves which leaves a total unallocated general reserves balance of £1.243m.

## **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. Carry Forward Requests
- 3. Capital Outturn Summary
- 4. Proposed Capital Budget Re-profile Requests
- 5. Proposed Capital Slippage
- 6. Capital Outturn Variances

### **Documents in Members' Rooms**

None

### **Background Documents**

None



**Adult Social Care**

Forecast Outturn Month 9 £'000	<b>Division</b>	2010/11 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(230)	Adult Social Care	38,288	38,032	(256)	-0.7%
(230)	Total	38,288	38,032	(256)	-0.7%

**Explanation of Key Variances**

The provisional outturn of £0.256m underspend against Adult Social Care (excluding Learning Disabilities) is after the achievement of a significant service improvement programme of which the Value for Money project is the most significant element. The programme has delivered savings of £1.711m, this is in the main due to a very successful re-ablement strategy.

It should be noted that the final outturn position reflects the contribution from Adult Social Care to Section 75 (SPFT) of £0.212m in line with the agreed 50:50 risk-share arrangements. There was also a year end accounting adjustment of £0.132m credited back from the Section 117 Mental Health reserve which is no longer required.

There is an underspend of £0.472m on the Community Care budget. Within this the Under 65 community care budget is overspent by £0.434m, mainly on home care, as a result of the complex caseload and 505 Whole Time Equivalent (WTE) placements compared with budget assumption of 479 WTE placements. This is offset by an underspend of £0.906m on the Over 65 community care budget mainly on home care and nursing, which is due to 104 WTE placements less than budgeted.

## Children &amp; Young People's Trust

Forecast Outturn Month 9 £'000	Division	2010/11 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(455)	Director	1,425	885	(540)	-37.9%
195	Area Integrated Working	32,255	32,135	(120)	-0.4%
115	Learning , Schools & Skills	3,237	3,028	(209)	6.5%
452	Commissioning & Governance	16,727	16,917	190	1.1%
307	Total	53,644	52,965	(679)	-1.3%

## Explanation of Key Variances

**Director** (£0.540m underspend). The underspend mainly relates to the decision made by Cabinet in July to reprioritise £0.434m from unallocated Dedicated Schools Grant (DSG) money to offset the overall directorate overspend. The remaining £0.034m of this is being used to fund Information Management within the commissioning & Governance branch. In addition there are savings of £0.140m in other areas.

**Area Integrated Working** (£0.120m underspend), 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.

The underspend in this branch is due to In-House placements and services for care leavers totalling £0.656m. These underspends have primarily resulted from unit costs being significantly below the anticipated level. This underspend is partially off-set by other service over spends.

The overspending services in this branch relates to two main areas: Legal fees and Area Social Work Teams. Legal fees overspend by £0.220m. Legal expenses have increased due to changes in the law by the Public Law Outline (PLO). This is due to several factors, primarily the significant increase in the number of children being referred for care proceedings in line with national trends. In addition to this, the Court Fees have been increased by the Ministry of Justice and the cost of the Court issue Fee has increased from £175 to over £4,000 per fully contested case.

The children's social work teams continue to be under pressure because of their statutory duties around child protection and looked after children's duties. There also continues to be a churn in frontline social workers leaving from the most pressurised teams i.e. the children's social work front doors. As a result of both of these factors the majority of the overspend within this area of £0.618m is due to agency social work staff. The branch has a robust rolling programme of recruitment and retention including a bursary scheme to attract newly qualified social workers from the universities. For 2011/12 an additional £0.474m has been invested in the children's social work service to increase capacity.

**Learning, Schools & Skills** (£0.209m underspend), the main area of underspend in this area relates to the assistant director (£130k), Home to school transport (£99k) and Admin SEN team (£54k). These underspends are partially off-set by overspend in disability agency placements of £0.260m.

**Commissioning and Governance** (£0.190m overspend), this branch is responsible for producing and monitoring the Children and Young people's Plan and the effective operation of the council's Section 75 Agreements with our health partners for the joint commissioning and provision of integrated children's services. In addition the branch is responsible for the commissioning and procurement of fostering and residential agency placements for individual children and the oversight and monitoring of associated budgets. The number of placements, and level of expenditure, relates directly to the significant and sustained level of referrals to social care (at times up to 61%) following the Baby P. case and the Laming recommendations. The main areas of overspend in this area relate to Independent Foster Agency Placements (IFA) of £0.910m. The underspend in Secure accommodation of £0.548m and Residential placements £0.350m reduces the overall overspend in this branch.

Children's Services have put in place a Value for Money action plan to address the level of activity and spend in IFA'S. The plan focuses on strengthening preventive services and streamlining social care processes including:

- increasing the use of the Common Assessment Framework to provide universal and tier 2 services to children and families in need
- driving the implementation of the 'Think Family' approach for families with the most complex needs
- introducing a tiered approach to manage social care referrals from other agencies including the remodelling of social work duty systems and the reinstatement of area and specialist resource panels or similar mechanisms
- improving the commissioning and procurement of expert assessments in care proceedings, strengthening arrangements for early permanence planning and increasing the numbers of in house foster placements able to provide tier 1 care.

At the start of 2010/11 there were significant in-year pressures building across Children's Agency budgets and at Month 2 substantial overspending was forecast. The VFM workstreams enabled these in-year service pressures to be effectively and safely managed and reduced, and resulted in a reduction in Children's Agency and associated costs of £2.498m. This has enabled the directorate to manage within its budget resources for Corporate Critical Children's Agency budgets. The Children's services VFM programme exceeded expectations by pulling together a programme to build on the successful model of the agency placement team that was recognised by the Office for Standards in Education, Children's Services and Skills (OFSTED). So we have a sustainable plan to reduce the number of high cost placements and reduce the cost of assessment and support services. Increasing the emphasis on early intervention, family Common Assessment Framework (CAF) and evidence based interventions such as functional family therapy.

## Finance &amp; Resources

Forecast Outturn Month 9 £'000	Division	2010/11 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(63)	Finance	6,833	6,694	(139)	-2.0%
(395)	Customers & Information	9,772	10,066	294	3.0%
476	Property & Design	2,916	3,470	554	19.0%
18	Total	19,521	20,230	709	3.6%

## Explanation of Key Variances

Within Finance there is a total underspend of £0.139m. There is a staffing underspend and additional income in Audit & Business Risk of £0.054m. Financial Services are underspent by £0.055m. Strategic Finance are showing an underspend of £0.030m. This underspend includes an element of income from the South Downs National Park Authority for the provision of shared financial services.

Customers & Information are overspent by £0.294m (a worsening position of £0.689m from Month 9). There is an unexpected increase of £0.315m from pressures identified against Housing Benefit subsidy arrangements at year end. This is a result of an error identified in the 2009/10 accounts that has been corrected at year end in 2010/11. This is a one-off adjustment that does not affect the ongoing budget position. In addition a one-off charge has been made in the accounts as a result of final negotiations on dilapidation charges for the Modern Records storage facilities which have been determined following surveys of the buildings undertaken at the expiry of the contract (31 March 2011). The costs of the dilapidations are significantly higher than originally estimated. Successful pay and grading appeals have also added £0.120m unexpectedly to the forecast. This has been fully funded for 2011/12.

Property and Design had a shortfall on rental income of £0.294m from the commercial property portfolio due to the national uncertain economic conditions. The shortfall relates mainly to an anticipated rent review increase that did not materialise following lengthy negotiations (over 5 years) and a legal judgement against the interpretation of a particular lease. Rental income pressures and voids have increased throughout the year and although there are proactive measures in place to minimise the impact there is no scope for uplift on new and renewed lease agreements under the current market conditions. Property and Design will continue to secure the most advantageous rent settlements both for short term and long term gain and service pressure funding has been included in the 2011-12 budget to reflect this underlying position. In addition a sum of £0.207m has been set aside to invest in Automatic Meter Readers (AMR's) for non Housing sites which will support the Government and Council's commitment to reduce carbon emissions through lowering energy consumption as part of the 10.10 campaign, as well as legal commitments such as the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, which specifically states the need for installing AMR's as part of its early action metrics. Originally this was planned to be met from capital but under the new International Financial Reporting Standards this has been met in full from revenue.

If the three one-off accounting entries for the AMRs, Housing Benefit Subsidy and Modern Records contract were excluded, the outturn position would show a £0.012m

overspend demonstrating that the underlying budget is in balance in these service areas.

## Strategy &amp; Governance

Forecast Outturn Month 9 £'000	Division	2010/11 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
-	Equalities & Communities	2,960	2,923	(37)	-1.3%
(11)	Policy, Performance & Analysis	1,811	1,805	(6)	-0.3%
(27)	Legal & Democratic Services	3,261	3,214	(47)	-1.4%
238	Human Resources	4,576	4,646	70	1.5%
-	Executive Office	1,721	1,736	15	0.9%
69	Communications	420	879	459	109.3%
269	Total	14,749	15,203	454	3.1%

## Explanation of Key Variances

There is an overspend of £0.454m for the group of services previously within the Strategy & Governance Directorate.

The Human Resources service pressures were offset by income giving a net position of £0.070m overspend - an improvement of £0.168m from Month 9 due to the financial recovery plan actions put in place during the year.

While the Communications budget has directly overspent by £0.459m, cross council spend on communications has reduced by approximately £0.650m compared to the previous financial year. There will need to be a rebalancing or reprioritisation of the corporate and service based communications spend in 2011/12 as well as the delivery of savings planned from the consolidation elements of the VFM programme. In previous forecasts, it was anticipated that these pressures would be largely offset by income surpluses and/or project contributions from other directorates.

## Environment

Forecast Outturn Month 9 £'000	Division	2010/11 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
369	City Services	26,061	26,353	292	1.1%
(105)	Sport & Leisure	2,052	1,720	(332)	-16.2%
332	Sustainable Transport	(843)	(770)	73	8.7%
85	City Planning	7,603	7,688	85	1.1%
681	Total	34,873	34,991	118	0.3%

### Explanation of Key Variances

The overspend in City Services relates to two main areas, Traveller Liaison and City Clean. The cost of providing 24 hour security at Horsdean Traveller Site was £0.110m, and the higher than budgeted costs of rubbish clearance have risen to £0.056m. In addition, £0.063m was spent repairing the damage to toilet/shower doors. The Traveller Liaison Service has identified underspends of £0.019m, leaving a net overspend of £0.223m. In Cityclean, the overspend is mainly due to costs associated with operation of the fleet, as old vehicles have become unreliable. This has been partially off set by lower fleet costs in City Parks leaving a net overspend of £0.082m.

The underspend in Sport & Leisure is due to additional income achieved from the sale of beach huts, £0.048m, additional campsite rental income, £0.030m, and through underspends on expenditure budgets of £0.254m which were largely delivered through spending constraints aimed at offsetting the overall overspend. These included an unexpected rate rebate and lower than expected energy costs at the King Alfred which together totalled £0.094m.

The total outturn for Sustainable Transport is an overspend of £0.073m against budget, an improvement of £0.259m since the Month 9 forecast, of which £0.021m relates to Parking. The variance is analysed as below:

- Penalty charge notices; there were 6% fewer tickets issued than for the previous year. The net effect on the budget was a shortfall of £0.613m. The adverse movement of £0.037m since month 9 is due to a reduction in the number of vehicles transferred to the Pound.
- Income from all on-street and off-street parking and permit income exceeded budget by £0.260m. Permit income exceeded budget, as did income from all the off street car parks apart from Regency Square, which is scheduled for refurbishment works. On street parking revenue was affected by the snow in December, and reduced income in certain locations. The improvement of £0.055m since month 9 was due to off street revenue in March.
- A reduction in the level of expenditure on supplies and services and parking contracts led to an underspend against budget of £0.126m, an improvement of £0.003m since the month 9 forecast.
- An increase in income from traders' objects on the highway and Developer contributions lead to an additional £0.066m since month 9. The high volume of repairs orders particularly for potholes meant that some of the work could not be undertaken by contractors until April or May, leading to an underspend of £0.020m this year. There was a favourable movement of £0.138m in Road Safety, and the majority of this was due to

## **Item 14 Appendix 1**

working closely with the Sussex Safer Roads Partnership, and managing to have the expenditure on publicity and campaigns largely absorbed by them this year. The remaining underspends were due to savings in supplies and services.

The City Planning overspend of £0.085m is mainly due to the loss of the Planning Delivery Grant, and a shortfall in Development Control income.



## Housing, Culture &amp; Enterprise

Forecast Outturn Month 9 £'000	Division	2010/11 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
40	Tourism & Venues	2,099	2,209	110	5.2%
-	Libraries & Information Services	4,118	4,099	(19)	-0.5%
-	Royal Pavilion & Museums	2,822	2,700	(122)	-4.3%
(57)	Culture & Economy	2,970	2,907	(63)	-2.1%
-	Major Projects & Regeneration	355	373	18	5.1%
(133)	Housing Strategy	16,044	15,764	(280)	-1.7%
(150)	Total	28,408	28,052	(356)	-1.3%

## Explanation of Key Variances

The net overspend of £0.110m for Tourism and Venues is due to income shortfalls of £0.030m for the Brighton Centre and £0.165m for the Hove Centre. In addition to this, there was a known pressure of £0.125m on contract cleaning costs at the Brighton Centre in order to deliver future business but this was as planned and largely offset by savings in casual staff. Energy costs were higher than expected resulting in an overspend of £0.075m; the introduction of automatic meter reading should improve the accuracy of energy monitoring in future. Supplies and services were overspent in total by £0.130m, of which £0.76m was Venues. This was due to a number of variances including in respect of advertising costs, sustainability costs and medical cover for events as well as fees in connection with the Business Rates refund. These overspends were largely offset by the rates refund for the Brighton Centre of £0.330m and vacancy management of £0.085m. The underachievement of income is as a result of a reduced number of conferences during the year and reduced bookings at the Hove Centre. Plans are in place to increase the performance of the venues by undertaking funded improvements which are already having a noticeable impact on bookings and sales.

The net under spend of £0.122m for the Royal Pavilion & Museums is a combination of an overachievement of admissions income of £0.125m, an under spend on utilities of £0.135m due to refunds being significantly greater than expected in addition to funds set aside to deal with back payments on shared energy costs of £0.070m that were not required. These under spends were reduced by a disappointing performance in retail and catering resulting in an overspend of £0.210m due to a fall in secondary visitor spend and increased staffing costs as a result of pay and grading appeals. There was also an overspend in security costs of £0.030m due to one off payments to staff for changes to the call out system and non-achievement of income target. The net underspend includes the residual rates refund in respect of Preston Manor and the Booth Museum of approximately £0.032m after contributing to the funding of the Pavilion lighting capital project.

The net underspend on Culture & Economy of £.063m is largely due to vacancy management.

## **Item 14 Appendix 1**

Housing Strategy is underspent by £0.280m mainly due to vacancy management and the improved collection of housing benefit on temporary accommodation within the leased accommodation budget. In particular, this relates to the collection of any shortfalls where the housing benefit rate received is lower than the property charge. This overall underspend includes the loss of the Supporting People Admin grant of £0.164m in 2010/11 which has been covered within existing Housing Strategy budgets by vacancy management and one-off under-spends from the internal contracts within the Supporting People Welfare Grant.

## Centrally Managed Budgets

Forecast Outturn Month 9 £'000	Division	2010/11 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(175)	Bulk Insurance Premia	3,019	2,760	(259)	-8.6%
(827)	Concessionary Fares	7,687	6,741	(946)	-12.3%
-	Capital Financing Costs	3,733	3,759	26	0.7%
-	Levies & Precepts	201	201	-	0.0%
(1,864)	Other Corporate Items	(22,533)	(24,051)	(1,518)	6.7%
(2,866)	Total	(7,893)	(10,590)	(2,697)	34.2%

## Explanation of Key Variances

The final outturn position for Insurance Premia showed an underspend of £0.259m, an increase of £0.084m since Month 9. This increased under spend related to:

- Lower than anticipated insurance claims payments in the March 2011.
- A reduction of £0.046m in insurance premia following the submission of revised council data for 2010/11.

For Concessionary Fares there is a £0.119m increase in the projected underspend since Month 9 bringing the total for the year to £0.946m. This increased underspend is mainly due to further lower than anticipated concessionary journeys.

On Other Corporate Items the underspend has reduced by £0.346m since Month 9, mainly relating to a year end accounting adjustment for the contribution to the bad debt provision of £0.367m. Within Other Corporate Items there was an ongoing risk provision within Contingency of £0.750m to cover risks identified in the Learning Disabilities budget and a further £0.750m to cover uncertainties in the budget which has contributed to the overall underspend. There is a one-off risk provision of £0.500m to support one-off risks and £0.500m was released from contingency following a decision to reduce the 1% set aside to cover pay increases in 2010/11 to 0.5%.

Therefore the total provisions available in the budget was £2.500m of which £0.610m was used to manage the implementation of the in year grant reductions and the remaining £1.890m was used to off set in-year pressures identified elsewhere in the budget.

In addition there was a further £0.064m saving from contingency as a result of £0.030m recovered from City College relating to Comart that was originally funded from contingency and £0.034m from contingency for items no longer required.

## Section 75 Partnerships

Forecast Outturn Month 9 £'000	Division	2010/11 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
258	Council managed S75 Servs	24,105	24,252	147	0.6%
582	NHS Trust managed S75 Servs	14,199	14,199	-	0.0%
840	Total S75	38,304	38,451	147	0.4%

## Explanation of Key Variances

Council managed S75 services (Learning Disabilities) are overspent by £0.147m. The overspend is attributed to:

- Learning Disabilities mainstream - cost pressures of £0.203m.
- Learning Disabilities Community Care - underspend of £0.056m.

The overspend has reduced by £0.111m from Month 9, mainly due to the Community Care budget, reflecting a small reduction in client numbers. This is due to managing growth more effectively, review of cases to cover level of need and care and ensuring that appropriate funding is in place.

The overspend of £0.147m is after the achievement of £1.411m savings against a financial recovery plan of £1.420m relating to measures identified within the budget strategy.

NHS Trust managed S75 services show a break-even position after application of the agreed 50:50 risk-share between BHCC and Sussex Partnership Foundation Trust (SPFT). The increased council contribution has been shown under the Adult Social Care budget.

The outturn position can be summarised as follows:

- Sussex Partnership Foundation Trust (SPFT) – overspent by £0.423m (adjusted to break-even due to agreed 50:50 risk-share arrangements between BHCC and SPFT) after delivery of approximately £0.500m savings. Significant overspends on community care budget (Adult Mental Health £0.383m, Older People Mental Health £0.430m and Substance Misuse £0.060m) due to approximately 60 Whole Time Equivalents in long term placements above the allocated budget offset by an agreed allocation of joint Council/ PCT funding of £0.450m.
- Sussex Community Trust (SCT) – breakeven position.

**Housing Revenue Account (HRA)**

Forecast Outturn Month 9 £'000		2010/11 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
	<b>Housing Revenue Account</b>				
(433)	Employees	9,188	8,672	(516)	-5.6%
(375)	Premises – Repair	11,766	10,779	(987)	-8.4%
(118)	Premises – Other	3,111	3,017	(94)	-3.0%
67	Transport & Supplies	2,058	2,077	19	0.9%
(25)	Support Services	2,153	2,120	(33)	-1.5%
-	Third Party Payments	54	61	7	13.0%
181	Revenue contribution to capital	3,245	3,426	181	5.6%
(144)	Capital Financing Costs	3,892	3,532	(360)	-9.2%
64	Subsidy Payable	12,827	12,930	103	0.8%
(783)	Net Expenditure	48,294	46,614	(1,680)	-3.5%
(6)	Dwelling Rents (net)	(41,613)	(41,632)	(19)	0.0%
80	Other rent	(1,318)	(1,189)	129	9.8%
253	Service Charges	(4,034)	(3,771)	263	6.5%
19	Supporting People	(497)	(490)	7	1.4%
35	Other recharges & interest	(832)	(909)	(77)	-9.3%
381	Net Income	(48,294)	(47,991)	303	0.6%
<b>(402)</b>	<b>Total</b>	<b>-</b>	<b>(1,377)</b>	<b>(1,377)</b>	

**Explanation of Key Variances**

The provisional outturn for 2010/11 is an underspend of £1.377m compared to a forecast underspend of £0.402m at month 9. The underspend represents 2.85% of the total expenditure budget of £48.294m.

Further analysis of the outturn variances are as follows:

- The employees underspend has increased from £0.433m at month 9 to £0.516 m. This increase is mainly due to the recent notification of the final TUPE costs for Property & Investment staff being lower than previously forecast by £0.120m. The balance of the underspend is due to vacancy management both in Housing Management and Property and Investment. This is partly due to some Property and Investment posts in the new structure, which came into effect from 1 April, being recruited to later in the financial year than anticipated. The budget had assumed a full year establishment for all posts, therefore resulting in an underspend.
- The Premises Repairs provisional outturn is an underspend of £0.987m compared to the month 9 forecast underspend of £0.375m. This includes:
  - The responsive repairs and empty properties budget underspend has increased from a forecast £0.175m at month 9 to £0.442m. The forecast at month 9 was prudent and allowed for repairs levels increasing over the winter months, as

past trends have shown this to be the case. However, this extra spend did not materialise. This was the first year of the new Repairs Partnership contract and therefore there wasn't any historical profile of spend data for this contractor for the whole city, which was a further reason for being prudent with the month 9 forecast.

- Service contracts were previously forecast to underspend by £0.273m due to the fact that most new contracts for these services are in various stages of the procurement process. This underspend has increased to £0.458m mainly due to a £0.242m underspend on the gas servicing and maintenance contract. The final payments/profit sharing for the gas contract, which has led to this underspend, has recently been agreed with the two contractors, as a result of the open book audit for the contract which was finalised at the financial year end. New arrangements to agree this earlier in the financial year are to be put in place to enable better monitoring of this budget in future years.
- The Premises Other budget underspend has reduced slightly since TBM 9 to an underspend of £0.094m. The underspend mainly relates to the reduction in costs for Gas and Electricity. This forecast underspend has been offset by a reduction in heating charges to tenants of approximately £0.096m included in the Service Charges income forecast.
- Transport & Supplies provisional outturn expenditure has reduced since month 9, with a slight overspend of £0.019m. The main variances within this budget area can be analysed as follows:
  - A reduction of £0.104m contribution to the provision for bad debt at the year end as a result of improvement in the collection of rent during 2010/11 which has led to a reduction in the rent arrears total.
  - A reduction of approximately £0.077m expenditure across all Housing Management areas for general office expenditure and professional fees mainly due to measures to reduce management expenditure.
  - An underspend of £0.048m in Estate Services in relation to the replacement of vehicles budget not being required this financial year.
  - The reduction in expenditure referred to above has allowed an increase of £0.248m, making the total amount of £0.348m, being reserved for the introduction of Automatic Meter Readers in Housing sites that fall under the gas and electric contracts. These are being purchased in order to provide more accurate meter readings, support active management of usage and to support the Council's commitment to reduce carbon emissions and meet the requirements of the Carbon Reduction Commitment Energy Efficiency Scheme.
- Revenue Contributions to the Capital Programme have been increased by £0.181m as reported at month 9 to this Cabinet.
- Capital Financing costs underspend has increased by £0.216m to £0.360m mainly due to the forecast interest rates for the year being lower than the assumptions used for budget setting. The reduced interest rates also reduce the amount of subsidy allowance for capital finance costs therefore resulting in an increased Subsidy payable to the Government of £0.103m.

- The underachievement of Income in the Rent Other budget area relates to reduction in rental income of £0.045m for the HRA Commercial properties, this is mainly due to a downturn in the economic climate over the last couple of years affecting the letting of some commercial properties. There is also an underachievement of income of £0.083m relating to garages & car parking including loss of income at St James House Car Park.
- Leaseholder service charges income underachieved by £0.162m. This projection had been forecast during 2010/11 following analysis of last year's outturn which showed that the charges are likely to be less than budgeted for. The budgets for 2011/12 have been revised to reflect this.
- There was an increase in the income of approximately £0.078m shown under Other Income & Recharges relating to rechargeable works income where tenants are invoiced under the rechargeable works policy. The income in this area has been consistently higher over the past 2 financial years since there were improvements to the management of this policy and therefore the budget for 2011/12 will need to be reviewed to reflect this.





## Carry Forward Requests

Directorate	Division	Details	(£'000)
F & R	Customers & Information	Improving Customer Experience (ICE) Carry forward required to support planned Improvements during 2011/12	48
F & R	Customers & Information	Cabinet approved Local Authority Business Growth Incentive funding to support Discretionary Rate Relief (DRR) over a 3 year period. The remaining £0.013m will be used to support DRR during 2011/12.	13
S & G	Policy, Performance & Analysis	Various Partnerships & Strategic Commissioning Local Public Service Agreement (LPSA) Projects. Delays caused by re-profiling of Strategic Partnership Review, delays in adoption of the Sustainable Community Strategy, late appointment of some posts on fixed term contracts.	181
S & G	Policy, Performance & Analysis	Sustainability LPSA Project . The City Sustainability Partnership has re-profiled delivery of 4 projects until after 2010/11	50
S & G	Policy, Performance & Analysis	Local Involvement Network (LINK) - The LINK budget has in the main been held back from being spent in the year 2010-11. The resources been held awaiting the detail and proposed framework for it to be used from the Department of Health .The Health Watch pathfinder proposals (released in March 2011) give us a framework in which to use the money properly over the coming year 2011-12 and further.	32
S & G	Policy, Performance & Analysis	Within the £0.120m allocated for needs analysis in 2010/11, £0.025m was provisionally allocated to the completion of a Place Survey. This is no longer required under national legislation. The money will be retained to support a more locally appropriate approach in consultation with the Public Service Board.	25
ENV	City Services	Funding of the unsupported borrowing costs in future years to repay the Vehicle replacement programme as set out in the VFM savings.	150

Item 15 Appendix 2

Directorate	Division	Details	(£'000)
ENV	City Services	This is the residual amount of match funding for the Level scoping revenue project. The remaining amount of Heritage Lottery Funding is dependant on this match funding. A successful scoping project will lead to further funding for the capital project. This revenue scheme was expected to be completed during 2010/11 but delays have been caused by delays to the Playbuilder project.	31
ENV	City Services	Contribution from the Housing Revenue Account (HRA) towards improvements in play space at Bexhill Road. This project was expected to be completed during 2010/11 but delays have been caused by delays to the Playbuilder project.	25
ENV	City Planning	Actions from the Community Needs Assessment of the Muslim communities. Continued community engagement with Muslim community organisations, groups and individuals, and specific projects to deliver on the identified needs and strengthen cohesive communities' agenda. Support and Develop Racial Harassment forum, Prevent Partnership and Hate Incident work with Travellers and Black & Minority Ethnic (BME) community. Develop a Community Cohesion Strategy	68
ENV	City Planning	Prevent Budget - Commitment already exists to the community to deliver projects during 2011/12	62
ENV	City Planning	Family Intervention Project - to enable the funding of a post in the Crime & Disorder Reduction partnership (CDRP) to continue in 2011/12 supporting Family Intervention Project (FIP) casework with young people.	38
ENV	City Planning	Health & Wellbeing LPSA Project - Tobacco worker post. Appointment of post for 2 years was delayed due to securing of other funding and also BHCC job matching	35
HCE	Culture & Economy	Future Jobs Fund programme. Funding received so far has been based placements which are still happening (ends Sept 2011) hence a balance of approximately £0.040m. Funding of £4.000m has now been secured for future extension of this programme.	38

Item 15 Appendix 2

Directorate	Division	Details	(£'000)
HCE	Culture & Economy	Due to the ending of the Workstep contract the service expects to be in deficit to about £0.085m in 2011/12. It is proposed to transfer excess income from the Workstep grant to the next financial year, alongside any savings accrued from staffing underspends to support the development of a business plan for the service.	200
HCE	Culture & Economy	Five LABGI projects requiring carry over to 2011/12. All have been subject to agreement by Cabinet (June 2008, April 2009 and October 2009) and some allocations such as the City Employment & Skills Plan (CESP) and Business Retention & Inward Investment (BRII) funding subject to broader policy agreements ratified by members.	105
HCE	Culture & Economy	Programmes funded from Arts Council monies. A number of schemes, including Festival Clusters, which are on-going, but with no condition to repay.	95
HCE	Culture & Economy	Local Economic Assessment Duty. Funded by Area Based Grant (ABG) (original budget £0.065m current spend £0.030m) which is to be used for the technical assessment elements of the Local Economic Assessment and the publication/dissemination of information.	35
HCE	Culture & Economy	This is the balance of the Local Enterprise Partnership (LEP) funding and is to be used to support our work on similar initiative such was the Future Jobs Fund. The manager has asked for it to be rolled over into 2011/12 in order to support the initiatives in this area	27
HCE	Culture & Economy	Eurocities Membership Funding 2011/12, to be paid from residue funding relating to the Eurotowns international project. The Eurocities membership is in keeping with the spirit of the original project.	16
HCE	Culture & Economy	Unspent LPSA grant re Recession Relief - money held in the event of another significant redundancy such as the job losses at Lloyds last year. Pays for support packages.	5
Corp	Other Corporate Items	£0.150m for Participle project. A start up loan for a new model of delivery of youth services linked to the Falmer Academy was agreed at Budget Council in February 2010.	150

**Item 15 Appendix 2**

<b>Directorate</b>	<b>Division</b>	<b>Details</b>	<b>(£'000)</b>
		The details of the loan arrangements have yet to be agreed.	
All	Grant Funding	Due to changes in financial reporting standards, grants received by the council that are unringfenced or do not have any conditions attached are now recognised as income in the financial year they are received rather than when they are used to support services. Previously these unspent grants would have automatically rolled into the next financial year to fund the commitments against them but now they need to be agreed as part of the carry forward requests. These grants include for example, grants that relate to academic years rather than financial years, social care reform grant.	1,484
CYPT	Dedicated Schools Grant (DSG)	Under the Schools Finance Regulations the unspent part of the DSG must be carried forward to support the Schools Budget in future years.	1,649
<b>Total</b>			<b>4,562</b>

## CAPITAL PROVISIONAL OUTTURN REPORT 2010/11

	2010-11 Budget	Budget Re-profiles	Amended Budget	2010-11 Outturn	2010-11 Slippage	2010-11 (Savings) / Overspends
<b>Directorate</b>	£'000	£'000	£'000	£'000	£'000	£'000
Strategy & Governance	718	(203)	515	491	25	1
Housing, Culture & Enterprise	10,817	(1,013)	9,804	9,584	311	91
Finance & Resources	3,849	(549)	3,300	3,106	264	70
Adult Social Care	3,101	(81)	3,020	2,948	45	(27)
Housing Revenue Account (HRA)	19,917	331	20,248	19,013	386	(849)
Children & Young People's Trust	40,507	(2,897)	37,610	37,555	633	578
Environment	12,985	-	12,985	12,150	693	(142)
<b>Total Council Budgets</b>	<b>91,894</b>	<b>(4,412)</b>	<b>87,482</b>	<b>84,847</b>	<b>2,357</b>	<b>(278)</b>



## Summary of re-profiles of budget due to factors outside the Council's control

<b>Schemes</b>	2010/11 Budget £'000	2011/12 Budget £'000	2012/13 Budget £'000	Total Changes £'000
<b>Strategy &amp; Governance</b>				
Slippage over £50,000 (detailed in appendix)	(203)	203		-
<b>Housing, Culture &amp; Enterprise</b>				
Detailed Re-profiles in Appendix 4 (over £50,000)	(1,013)	999	14	-
<b>Housing, Culture &amp; Enterprise (HRA)</b>				
Detailed Re-profiles in Appendix 4 (over £50,000)	331	(331)		-
<b>Children &amp; Young People's Trust</b>				
Detailed Re-profiles in Appendix 4 (over £50,000)	(2,897)	2,897		-
<b>Adult Social Care</b>				
Detailed Re-profiles in Appendix 4 (over £50,000)	(81)	81		-
<b>Finance &amp; Resources</b>				
Detailed Re-profiles in Appendix 4 (over £50,000)	(549)	549		-
<b>Environment</b>				
Detailed Re-profiles in Appendix 4 (over £50,000)	-	0		-
<b>Total Changes to Budgets</b>	<b>(4,412)</b>	<b>4,398</b>	<b>14</b>	<b>-</b>

## Detailed explanations of the re-profiles

## Housing, Culture &amp; Enterprise

Directorate: Housing, Culture & Enterprise	Approved Budget: £199,320
Project Title: Replacement of Library Booking System	Revised Budget: £114,460
	Variation: £(84,860)

This capital project included the purchase of electronic books (£0.035m). This could not be finalised until the details of the contract with the suppliers had been agreed. The new service of e-books is expected to be launched in July 2011. The remainder is for hardware and software relating to the implementation of the new print control and PC bookings system. This development work is ongoing and is anticipated to be completed in September 2011. However, the existing old PC bookings and print control system is still operating so this aspect has had less impact.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(85)	85	0	0

Directorate: Housing, Culture & Enterprise	Approved Budget: £350,000
Project Title: Brighton Centre Façade	Revised Budget: £3,040
	Variation: £(346,960)

The project cannot commence until July of this year as that is the only space available in the diary of the Brighton Centre. The project is expected to complete in early September of this year.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(347)	347	0	0



## Item 14 Appendix 4

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Directorate: Housing, Culture & Enterprise	Approved Budget: £240,000
Project Title: Royal Pavilion Lighting	Revised Budget: £6,170
	Variation: £(233,830)

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An approach was made by the Royal Pavilion & Museums Foundation to a potential partner with regard to a possible sponsorship agreement for the lighting scheme. This approach has created the possibility of a longer term and more far reaching partnership for the City Council. Discussions around this potential partnership arrangement have led to delays in the lighting scheme being progressed.

The scheme will go ahead within the next 2 to 3 months and will therefore be completed early in the current financial year. The existing arrangement of using the Royal Pavilion security lighting alone at night has continued and will continue until the new lighting scheme is in place.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(234)	234	0	0

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Directorate: Housing, Culture & Enterprise	Approved Budget: £220,000
Project Title: Development of Westbourne Hospital Site	Revised Budget: £0
	Variation: £(220,000)

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The Council is committed to this payment and is waiting for the invoice from Registered Provider in order to proceed with this development of affordable housing.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(220)	220		0

## Item 14 Appendix 4

Directorate: Housing, Culture & Enterprise	Approved Budget: £995,770
Project Title: Places for Change Programme	Revised Budget: £868,360
	Variation: £(127,410)

The refurbishment was due to end in March 2011 but in the final three weeks a considerable amount of dry rot was found in two locations. This required treatment and thus a delay of several weeks while the rot was analysed, treatment booked and the walls allowed to dry out after treatment. This meant that the final completion date was pushed into the 2011-12 budget year.

There has also been a delay to the opening of the Stepping In Project which is due to be housed in the refurbished building. This has no effect on the capital expenditure. The retention fee to the contractor, which is due 12 months after completion, has now been pushed into the 2012-13 financial year.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(127)	113	14	0

Directorate: Housing, Culture & Enterprise (HRA)	Approved Budget: £1,265,500
Project Title: Minor Capital Works	Revised Budget: £1,154,500
	Variation: £(110,000)

The Re-profile request related to one specific project for the development of 130 Newick Road. This project had a delayed start due to funding from a 3rd party not being agreed in time for the project to be completed in this financial year. There will be little effect on service delivery to tenants. The project has now started and is expected to be completed early in 2011.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(110)	110	0	0

Directorate: Housing, Culture & Enterprise (HRA)	Approved Budget: £228,700
Project Title: Water tanks, Ventilation & Fire alarms	Revised Budget: £138,700
	Variation: £(90,000)

The required works were due to finish in March 2011. However, before the work commenced an asbestos survey was undertaken. As a result of the asbestos survey, there was some asbestos that required removing. This delayed the tank project by one month. There has been no effect on the service delivery as a result of this delay.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(90)	90	0	0

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Directorate: Housing, Culture & Enterprise (HRA)	Approved Budget: £713,270
Project Title: Fire safety & Asbestos Management	Revised Budget: £609,270
	Variation: £(104,000)

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The Re-profile request related to two projects:

- 1) Asbestos removal in St James' House needs to be re-profiled into 2011/12 as this relates to the communal rewiring project.
  
- 2) Fire risk works in Ingram crescent also needs to be re-profiled into 2011/12. This is needed as the works required were identified late in 2010/11 and with the lead in time required has meant that the works will now be completed in the 1st quarter of the 2011/12 financial year.

There will be no negative effect on service delivery to tenants. The project has now started and is expected to be completed early in the 2011/12 financial year.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(104)	104	0	0

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Directorate: Housing, Culture & Enterprise (HRA)	Approved Budget: £1,008,180
Project Title: Supercenter	Revised Budget: £1,643,680
	Variation: £635,500

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The total budget for the Housing centre was £1.700m and originally profiled over 3 years in the Housing Capital Investment Programme. The Housing Centre is now open with refurbishment works completed and the budget profile has been amended to reflect this.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
635	(635)	0	0

**Children & Young People's Trust**

Directorate: CYPT	Approved Budget: £17,559,460
Project Title: Falmer Academy	Revised Budget: £14,746,340
	Variation: £(2,813,120)

As anticipated previously, the initial delays to the effective start of the project on site and the exceptionally inclement weather during the early works, have been progressively recovered and the new building will be handed over in line with the original target programme for the start of the Autumn 2011 term.

Overall project completion will be achieved by mid-February 2012. The current lag in actual versus planned expenditure is mainly attributed to the later, high value works such as the ICT installation and fixed/loose furniture deliveries, being re-sequenced to accord with the recovery programme implemented by the Main Contractor.

The majority of the significant risks identified within the Project Risk Register have been progressively reduced or eliminated but, with no contingency within the original funding allocation, this still needs and continues to receive, very active monitoring and management to avoid any over spend.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(2,813)	2,813	0	0

Directorate: CYPT	Approved Budget: £3,200,000
Project Title: Targeted capital Fund	Revised Budget: £3,116,450
	Variation: £(83,550)

At TBM9 it was reported that the major extension and refurbishment scheme at Longhill School had been successfully completed. However, the current situation is that there is an outstanding element of highway improvement work to widen footpaths and create/develop a bus stop.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(84)	84	0	0

**Adult Social Care**

Directorate: Adult Social Care	Approved Budget: £81,000
Project Title: Adult Social Care Reform Grant	Revised Budget: £0
	Variation: £(81,000)

The Council had anticipated incurring costs this financial year (as per re-profile request in January), but having awarded the contract to the preferred bidder they subsequently had to withdraw. As a consequence, there was a delay in finalising the contract with the second-placed bidder which resulted in no spend being possible this financial year.

The proposed timescale for the project was very tight with main implementation planned for just before the financial year end. However, we have not been able to make the strong progress we needed during early part of the year to keep to this timetable, due to the late change in provider. It is anticipated, therefore, that the spend will occur next financial year.

The final delivery of the project will be delayed by about 4 months. The normal work of the service will be able to continue as at present with no diminishment to the quality of services. But the delay will mean that the service enhancements and efficiencies that the new system will deliver will be later in coming in.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(81)	81	0	0

**Strategy & Governance**

Directorate: Strategy & Governance	Approved Budget: £693,180
Project Title: Human Resources system	Revised Budget: £490,610
	Variation: £(202,570)

Final agreement of supplier contracts in 2009/10 was later than the original spend profile for the project through the year and therefore capital and revenue expenditure costs have been re-phased over the 2 year project lifecycle. Phased payroll implementation over the year 2010 has prevented a speeding up of the timescale to complete within 21 months.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(203)	203	0	0

**Finance & Resources**

Directorate: Finance & Resources	Approved Budget: £295,000
Project Title: Farming Diversification	Revised Budget: £113,030
	Variation: £(181,970)

The budget is allocated to provide two new agricultural buildings on Waterhall and Balsdean Farms in order to meet the council's obligations as landlord. The provision of the new building at Balsdean Farm was linked to the succession and rent review negotiations with the tenant and the start date for the works was therefore delayed until those negotiations were complete. In addition for Balsdean Farm it was necessary to obtain an agricultural notification from Development Control and to liaise with EDF for a pole to be moved. These works have now started on site and will be completed in the next 2 months. For the new building on Waterhall Farm it was necessary to obtain additional quotes for excavation works and apply for full planning permission which has yet to be granted. We are awaiting advice from the council's ecologist for details of the package of nature conservation mitigation/compensation measures required to allow the planning permission to be granted. Once these details are received and agreed and planning permission granted works will commence without further delay.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(182)	182	0	0

Directorate: Finance & Resources	Approved Budget: £1,261,780
Project Title: Accommodation Strategy	Revised Budget: £895,240
	Variation: £(366,530)

The budget allocated covers the first Phase of the Corporate Accommodation Strategy which includes the creation of a new customer service centre and refurbishment of two floors of Bartholomew House. The building contract started in January 2011 and spans both financial years, ending in July 2011 hence the variance in expenditure from the 2010/11 period.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(367)	367	0	0

## Summary of Slippage from 2010/11 to 2011/12

	2010/11 Budget £'000	2011/12 Budget £'000	Total Changes £'000
<b>Slippage Summary</b>			
<b>Strategy &amp; Governance</b>			
Interplan	(25)	25	-
<b>Total Strategy &amp; Governance</b>	<b>(25)</b>	<b>25</b>	-
<b>Housing, Culture &amp; Enterprise</b>			
Slippage over £50,000 (detailed in Appendix 5)	(130)	130	-
Royal Pavilion Toilet Facilities	(32)	32	-
The Keep	(16)	16	-
King Alfred Development	(41)	41	-
Economic Development & Major Projects	(16)	16	-
Brighton Centre Redevelopment	(19)	19	-
Housing Strategy	(16)	16	-
Disabled Facilities Grants	(41)	41	-
<b>Total Housing, Culture &amp; Enterprise</b>	<b>(311)</b>	<b>311</b>	-
<b>Housing, Culture &amp; Enterprise HRA</b>			
Slippage over £50,000 (detailed in Appendix 5)	(258)	258	-
Ainsworth House New Build	49	(49)	-
Rewiring	(41)	41	-
Energy Efficiency	(25)	25	-
Estate development	(40)	40	-
Doors	(9)	9	-
Health & Safety Works	(18)	18	-
Other	(44)	44	-
<b>Total Housing, Culture &amp; Enterprise (HRA)</b>	<b>(386)</b>	<b>386</b>	-
<b>Finance &amp; Resources</b>			
Value for Money 2	(37)	37	-
Information Management	(49)	49	-
Kensington Street	(19)	19	-
Corporate Fire Risk Assessments	(31)	31	-
Statutory DDA works	(20)	20	-
Legionella Works	(32)	32	-
Asset Management Fund	(24)	24	-
New Coroner's Court	(24)	24	-
Other Planned Maintenance Schemes	(28)	28	-
<b>Total Finance &amp; Resources</b>	<b>(264)</b>	<b>264</b>	-
<b>Adult Social Care</b>			
Adaptations to homes of disabled people	(45)	45	-
<b>Total Adult Social Care &amp; Housing</b>	<b>(45)</b>	<b>45</b>	-

<b>Environment</b>			
Slippage over £50,000 (detailed in Appendix 5)	(573)	573	-
Downland initiative Programme	(38)	38	-
Playbuilder	(23)	23	-
Section 106 funded Transport initiatives	(24)	24	-
Cedar Gardens Roadworks	(2)	2	-
Ex leased car parks	(33)	33	-
<b>Total Environment</b>	<b>(693)</b>	<b>693</b>	-
<b>Children &amp; Young People's Trust</b>			
Slippage over £50,000 (detailed in Appendix 5)	(546)	546	-
Youth Capital Fund	(2)	2	-
Structural Maintenance	(15)	15	-
Schools Access initiative	(9)	9	-
NDS Modernisation	(12)	12	-
Children's Social Service	(49)	49	-
<b>Total Children &amp; Young People's Trust</b>	<b>(633)</b>	<b>633</b>	-
<b>Total Changes to Budgets</b>	<b>(2,357)</b>	<b>2,357</b>	-

### Details of slippage of £50,000 or more

#### Housing, Culture & Enterprise

Directorate: Housing, Culture & Enterprise	Approved Budget: £6,603,610
Project Title: BEST Private Sector Housing	Revised Budget: £6,473,310
	Variation: £(130,300)

In 2010/11 98% of the BEST capital Budget was spent in 2010/11 and less than 2% remained unspent at year end. This was due to a small delay on the delivery of some projects such as the Empty Homes Grant, and Heating Grants. Expenditure under this grant scheme is dependent upon completion of works by individual applicants following approval of applications for housing renewal assistance. These projects were completed in early May 2011 and the completion date was only delayed by a few weeks.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(130)	130	0	0



**HRA Capital Schemes**

Directorate: Housing Culture & Enterprise (HRA)	Approved Budget: £850,000
Project Title: Disabled Aids & Adaptations	Revised Budget: £773,550
	Slippage: £(76,450)

In year mobilisation of a new framework contract and loss of some contractor capacity owing to one of the four contractors going into administration soon afterwards slowed work during quarter 1 & 2. However works increased considerably by quarter 3 & 4 and work in progress and/or orders in place by year end resulting in commitments which will be spent early in the 2011/12 financial year.

The scheme is ongoing and comprises hundreds of transactions annually relating to many different dwellings. With the balance profiled to 2011/12 there should be no on-going effects on service delivery.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(76)	76	0	0

Directorate: Housing, Culture & Enterprise (HRA)	Approved Budget: £292,800
Project Title: IT Fund	Revised Budget: £110,440
	Variation: £(182,360)

The budget for the HRA ICT Fund includes forecasts for the development / upgrade of the existing housing management system as well as upgrades and new modules for the housing asset management system.

A review of the Housing Management system took place earlier in the financial year which showed that a new system was not required however there were development requirements and upgrades needed for the system. The system development will continue in 2011/12 where the profile of spend will be reviewed.

The ICT fund is a rolling programme and the profile of spend is determined by the needs of the Housing Service and therefore slippage of expenditure has not impacted on service delivery.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(182)	182	0	0

**Children & Young People's Trust**

Directorate: CYPT	Approved Budget: £2,409,110
Project Title: Devolved Formula Capital	Revised Budget: £1,863,610
	Variation: £(545,500)

Formula Capital is a financial resource that is devolved to schools by the Local Authority. Part of the terms of this grant provides schools the option to accrue for a maximum of 3 years. However, accrued funds are normally retained by the LA. The outstanding balances represent the funds that schools have chosen not to take this year. These outstanding budgets are to be carried forward and made available to the relevant schools in 2011/2012.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(546)	546		0

**Environment**

Directorate: Environment	Approved Budget: £2,023,000
Project Title: Refuse Replacement Costs & Waste Performance & Efficiency	Revised Budget: £1,901,440
	Variation: £(121,560)

The underspend was due to the following:-

- A change in service delivery in Operations. Changing the need for a compact road sweeper for three walk behind sweepers.
- The three electric vans that were allocated for 2010/11 were delayed until 2011/12 to take advantage of new technologies and increased market offerings. This allowed for a compact sweeper to be bought forward to replace one that was beyond economic use.

There is no effect on the time table as it is an ongoing replacement cycle. There has been an improvement in vehicle availability and reduction in hired costs due to the replacements of economical vehicles.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(122)	122		0

**Item 14 Appendix 5**

Directorate: Environment	Approved Budget: £733,410
Project Title: Hollingdean Depot Costs	Revised Budget: £335,000
	Variation: £(398,410)

At the time budgets were set timescales were agreed using the information gathered to date for urgent health and safety works on site. Timescales changed resulting in works being delayed which has pushed costs from 2010/11 in to 2011/12.

The main reasons for delay were:

- Delay with council being able to confirm start date with Westridge Construction. This delayed ordering materials and agreeing works with sub contractors. This had knock on effects to start dates. The delay to confirm start date was due to delay in budgets being set.
- Delay with ordering falls from height works. This work included agreeing designs for hand rails and also fixing arrangements. Fixing methods, and therefore price, was dependant on an opinion from the Environment Agency on excavation due to likely ground contamination.
- Electrical works after demolition have begun but cannot be completed on the building still occupied by Design, Print and Sign as they are still occupying the space whilst they look for alternative premises.
- Feasibility study for future development of the site was delayed due to delays with budgets being set and delays with the intrusive ground investigation due additional surveys being required and consultation with the Environment Agency and Southern Water.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(398)	398		0

Directorate: Environment	Approved Budget: £593,000
Project Title: King Alfred (Health and Safety Works)	Revised Budget: £540,400
	Variation: £(52,600)

The extensive works have been carefully phased in order to minimise the impact on existing customers and subsequently income to the council. The priority over the last year (2010-2011) has been the improvements to the new gym which were successfully completed towards the end of the financial year. However due to the constraints imposed by an old building and the complexity of undertaking the works there are some monies still outstanding due to the final snagging of the project and the final account has only just been agreed by all parties. The phasing of works was planned (and will continue to be planned) to minimise the impact on the income to the centre.

2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
(53)	53	0	0



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

Directorate: Environment	Approved Budget: £3,500,000
Project Title: Falmer Infrastructure Works	Overspend: £(165,780)

The underspend compared to budget was a result of a reduced level of works agreed compared to early budget estimates. This underspend does not result in any loss of funding as all works now being completed will be funded by The Community Stadium Ltd.

**Housing, Culture & Enterprise - HRA Capital Schemes**

Directorate: Adult Social care & Housing (HRA)	Approved Budget: £3,921,310
Project Title: Energy Efficiency	Revised Budget: £3,522,250
	Slippage: £(25,000)
	Underspend £(374,060)

The underspend of £0.374m is made up of several factors including:

- The Capital Installs element of the Gas Service contract achieved £0.070m of shared savings due to efficiencies.
- The Gas service contract also underspent by £0.123m due to a proportion of properties being identified as not requiring a new boiler after being surveyed.
- There was an underspend of £0.150m on the Communal Boiler budget, which was provided as a contingency budget in case any major systems need replacing, which did not occur in the financial year.
- The Storage Heater Budget underspent by £0.046m. This was the first year this budget had been separated out of Minor Capital Works, and was based on an estimated amount of installs. This budget was not required to be utilised to the extent that was expected, and has been eliminated from 2011/12 budget in light of this and incorporated into the Rewiring budget.

Directorate: Housing (HRA)	Approved Budget: £206,830
Project Title: Minor Empty Properties	Underspend: £(197,600)

All Capital works completed in Minor Empty Properties are now funded from Capital budgets relating to the types of work required such as the Kitchen budget. This budget was retained as a contingency, but has not been required.

**Children & Young People’s Trust**

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Directorate: CYPT	Approved Budget: £4,999,830
Project Title: Primary Capital Fund	Overspend: £256,350

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At TBM9 a request was made to re-profile £5.900m to 2011/2012 in line with cash flow projections for a number of schemes. Progress on a number of sites during February and March was better than anticipated and valuations in these 2 months also included large elements of electrical and mechanical work.

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Directorate: CYPT	Approved Budget: £4,510,480
Project Title: Whitehawk Co-location Project	Overspend: £326,240

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At TBM9 a request was made to re-profile £2.689m to 2011/2012 in line with cash flow projections for the Whitehawk Co-Location project. Progress on site during February and March was better than anticipated and valuations in these 2 months also included large elements of electrical and mechanical work.

**Subject:** Risk & Opportunity Management Update : The Performance & Risk Management Framework

**Date of Meeting:** 28 June 2011

**REPORT OF:** Director of Finance

**Contact Officer:** Name: Jackie Algar Tel: 29-1273

E-mail: jackie.algar@brighton-hove.gov.uk

**Wards Affected:** All

### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Audit Committee has a role to provide assurance on the Risk Management and the associated control environment.
- 1.2 Risk management is integral to the council's new Performance & Risk Management Framework (PRMF) which will influence delivery of services and functions of the council, including in its partnership work.

### 2. RECOMMENDATIONS:

The Audit Committee are requested to:

- 2.1 Note the framework diagram (Appendix 1) which sets out the risk management aspects of the council's Performance & Risk Management Framework.

### 3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The council's PRMF has been developed as part of the implementation methods for Intelligent Commissioning which will be operational from 1 July 2011.
- 3.2 Risk Management has been formally practised by the council since its inception in 1997, the current Risk & Opportunity Management Strategy 2008- 2011 sets out the principles, the methodology and roles and responsibilities.
- 3.3 At the April 2011 meeting of the Audit Committee it was reported that a new Performance and Risk Management Framework for council service delivery was in development with risk management at its core with the aim of integrating risk and performance at all levels.

- 3.4 The council already uses the CAMMS software “Interplan” for city partnership performance management and for its own risk management. It is planned that that Interplan will be “rolled out” for business planning, risk management and performance management across the council to further integrate the PRMF with risk and business planning.
- 3.5 The PRMF has been consulted on and presented to the Overview & Scrutiny Commission in February and June 2011, to the city’s Public Sector Board and the Local Strategic Partnership, culminating in a report to be presented to the council’s Cabinet in July 2011.
- 3.6 Further planned work includes:
- Working on the integration of risk management into Commissioning Decisions; and
  - Development of a new Risk Management Standard for 2012 and beyond to succeed the current Risk & Opportunity Management Strategy 2008-11.

#### **4. CONSULTATION**

- 4.1 The work to develop the new PRMF involved cross-discipline work by officers on the Performance & Intelligence Project Board, chaired by the Strategic Director Place, and has involved consultation with external partners on the outcomes and indicators for the City Performance Plan. Discussion was also held with the Third Sector Reference Group for Intelligent Commissioning and the three political groups within the council, as part of Commissioning and Partnership Commissioning Strategies. In addition Lead Commissioners and Heads of Delivery were given opportunity to contribute and clarify the outcomes and indicators relevant to their responsibilities.
- 4.2 Consultation will take place on the new Risk Management Standard 2012 and beyond during 2011.

#### **5. FINANCIAL & OTHER IMPLICATIONS:**

##### **Financial Implications:**

- 5.1 The Performance & Risk Management Framework supports the identification of all potential financial impacts of risks for the Council and partner organisations. The financial risks are then reflected in medium term financial plans and budget strategies; these are continually updated to reflect changing assumptions and likelihood of risk.

Finance Officer consulted : Anne Silley

Date : 14 June 2011



**Legal Implications:**

- 5.2 Under the council's new operating structure the role of the Audit Committee is unchanged. It therefore continues to be responsible for monitoring and providing an opinion on the effectiveness of risk management and internal control.

Legal Officer consulted: Oliver Dixon

Date: 13 June 2011

**Equalities Implications:**

- 5.3 The new operating model for the council puts customers at the heart of our activities and there will be an Equalities Impact Assessment of the new PRMF.

**Sustainability Implications:**

- 5.4 The risk management methodology includes identification and management of sustainability issues. Sustainability of service delivery will form part of the considerations in the PRMF.

**Crime & Disorder Implications:**

- 5.5 There are no direct implications.

**Risk and Opportunity Management Implications:**

- 5.6 The better incorporation of risk management into the council's new PRMF extends the influence of and accountability for the management of risks and opportunities.

**Corporate / Citywide Implications:**

- 5.7 There are no direct implications.

**SUPPORTING DOCUMENTATION**

**Appendices**

1. Performance & Risk Management Framework MAP diagram

**Documents in Members' Rooms**

1. None

**Background Documents**

1. None



**Sustainable Community Strategy (SCS)**

City Priorities

- Promoting enterprise & learning
- Reducing crime and improving safety
- Improving health & well being
- Strengthening communities and involving people
- Improving housing & affordability
- Living within environmental limits & enhancing the environment
- Promoting sustainable transport
- Providing quality advice and information services

**SCS**  
 \* City Priorities agreed by city representatives on Local Strategic Partnership (LSP)  
 \* Rolling plan, reviewed at least every 3 years  
**Monitored** – by LSP (council collates data), reviewed quarterly  
**Purpose** – Sets out long term priorities for city & organisation specific targets

**Corporate Plan**

Basis to be confirmed with new administration

**STRATEGIC RISK REGISTER**

**City Performance Plan**

Statement of outcomes  
 including work with health partners  
 (section 75)

**NHS Strategic Commissioning Plan**

**Local Policing Plan**

**City Commissioning Plan/Commissioning Scopes**

**Performance Compacts**

Service level outcomes  
 Service improvement objectives  
 Performance measures and evidence  
 Service specifications  
 Effectiveness of action to improve risk profile  
 Strategic & Unit Risk Registers

**Provider Contracts**

Service level outcomes  
 Service improvement objectives  
 Performance measures and evidence  
 Service specifications  
 Risk Registers

**Delivery/Resource/Finance Unit Business Plans & Risk Registers – key elements measured by Organisational Health Report**

**Council Workforce Plan**

**Individual Performance Review**

For Heads of Units the Chief Executive delivers line management (taking into account LCs and SDs review of Unit's service performance)

**Performance Compacts**

\* At this level applies to Heads of Delivery Units on performance against Business Plan and action taken to manage risks on business unit risk registers & any Strategic Risk action

**Monitored** – by LCs every quarter and escalated to SLB as necessary

**Purpose** – Achievement against Performance Compacts informs Commissioning Decisions, Reported to Members by LCs

Key

SLB= Strategic Leadership Board

LCs= Lead Commissioners

CMT = both the above plus Heads of Delivery Units, Finance Units & Resource Units

**Corporate Plan**

basis tbc

**Monitored** – tbc

**Purpose** – tbc

**Strategic Risk Register**

\* Informed by Delivery/Finance/Resource Unit risk registers & external risk information

\* Assessed & agreed by CMT and reported to Members and the public every 6 months

\* Action plans developed & reported, actions assigned to individuals & incorporated into Delivery/Finance/Resource Unit Plans, & individual Head of Delivery Unit's performance compacts

**Monitored** - by SLB every 6 months

**Purpose** – Provides assurance that negative risks are less likely to adversely affect achievement, and positive opportunities are taken to improve outcomes



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