



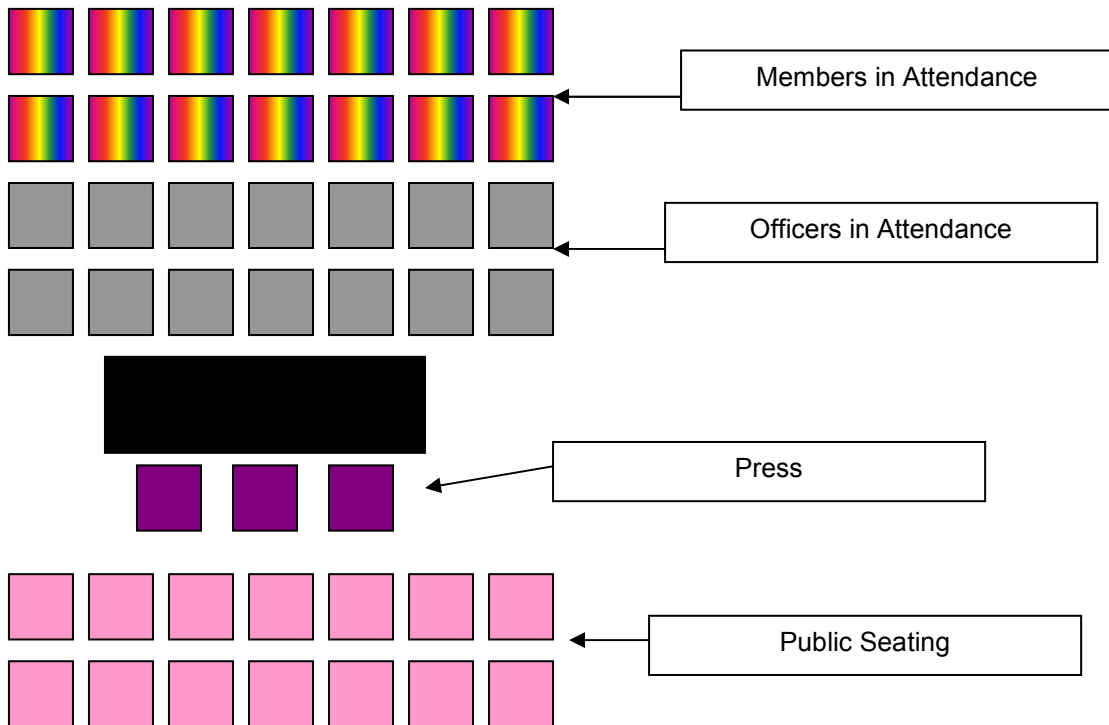
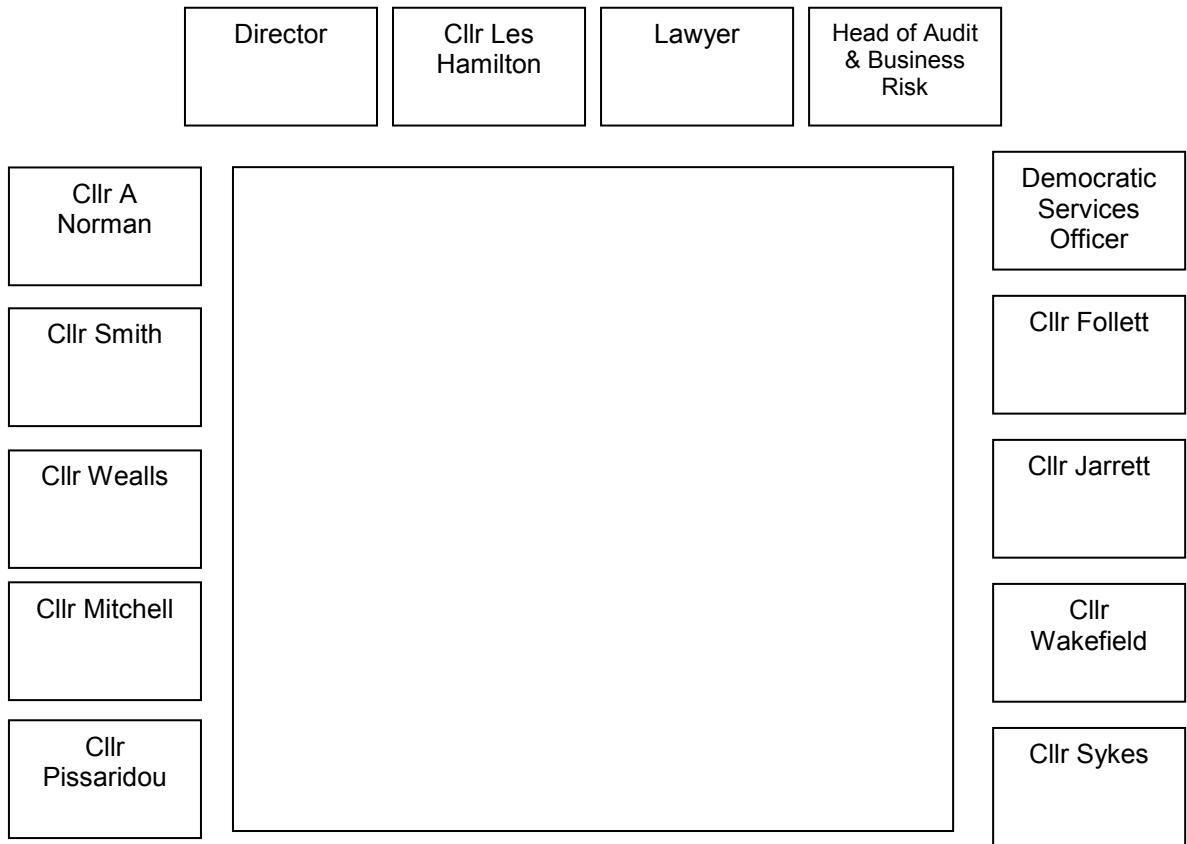
**Brighton & Hove  
City Council**

# Audit Committee

Title:	<b>Audit Committee</b>
Date:	<b>21 February 2012</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, Smith, Sykes, 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

### 56. 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.*

### 57. MINUTES OF THE PREVIOUS MEETING

1 - 8

Minutes of the meeting held on 20 December 2011 (copy attached).

### 58. CHAIR'S COMMUNICATIONS

### 59. PETITIONS

No petitions received by date of publication.

### 60. PUBLIC QUESTIONS

(The closing date for receipt of public questions is 12 noon on 14 February 2012)

No public questions received by date of publication.

### 61. DEPUTATIONS

(The closing date for receipt of deputations is 12 noon on 14 February 2012)

No deputations received by date of publication.

## AUDIT COMMITTEE

### 62. LETTERS FROM COUNCILLORS

No letters have been received.

### 63. WRITTEN QUESTIONS FROM COUNCILLORS

No written questions have been received.

### 64. TARGETED BUDGET MANAGEMENT (TBM) MONTH 9 - FOR INFORMATION 9 - 54

Report of the Director of Finance (copy attached).

Contact Officer: Jeff Coates Tel: 29-2364

### 65. REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE 55 - 62

Report of the Director of Finance (copy attached).

Contact Officer: Catherine Vaughan, Ian Withers Tel: 29-1333, Tel: 29-1323

### 66. AUDIT COMMISSION: PROGRESS REPORT 2011/12 63 - 78

Report of the Audit Commission (copy attached).

### 67. AUDIT COMMISSION: CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT 2010/11 79 - 92

Report of the Audit Commission (copy attached).

### 68. INTERNAL AUDIT PROGRESS REPORT 2011/12 93 - 100

Report of the Director of Finance (copy attached).

Contact Officer: Ian Withers Tel: 29-1323

### 69. RISK MANAGEMENT STRATEGY 2012 101 - 116

Report of the Director of Finance (copy attached).

Contact Officer: Jackie Algar Tel: 29-1273

### 70. CURRENT FRAUD RISKS AND BRIGHTON & HOVE CITY COUNCIL COUNTER FRAUD PROGRAMME (VERBAL PRESENTATION)

Report of the Director of Finance

Contact Officer: Ian Withers Tel: 29-1323

## PART TWO

### 71. PART TWO MINUTES OF THE PREVIOUS MEETING (EXEMPT-CATEGORY 3) 117 - 120

## AUDIT COMMITTEE

Part Two minutes of the previous meeting held on 20 December 2012 (copy attached).

### **72. STRATEGIC RISK MANAGEMENT ACTION PLAN FOCUS- STRATEGIC RISK 1 READINESS FOR OPPORTUNITIES & IMPACTS OF LOCALISM (SR1) (EXEMPT- CATEGORY 3)**

Report of the Director of Finance (verbal update).

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

### **73. INTERNAL AUDIT REVIEW OF PAYROLL (EXEMPT CATEGORY 3)**

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

*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.

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For further details and general enquiries about this meeting contact John Peel, (01273 291058, email [john.peel@brighton-hove.gov.uk](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, 13 February 2012



**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT COMMITTEE**

**4.00pm 20 DECEMBER 2011**

**COMMITTEE ROOM 1, HOVE TOWN HALL**

**MINUTES**

**Present:** Councillors Hamilton (Chair), Follett (Deputy Chair), Jarrett, A Norman, Pissaridou, Smith, Sykes, Wakefield and K Norman

**PART ONE**

**36. PROCEDURAL BUSINESS**

**36a Declaration of Substitutes**

36.1. Councillor Ken Norman declared that he was substituting for Councillor Wealls.

**36b Declarations of Interest**

36.2. There were none.

**36c Exclusion of the Press and Public**

36.3. 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).

36.4. **RESOLVED** - That the press and public be excluded from the meeting during consideration of Item 52 onwards.

**37. MINUTES OF THE PREVIOUS MEETING**

35.1 **RESOLVED-** That the minutes of the previous meeting held on 27 September 2011 be approved and signed as the correct record.

**38. CHAIR'S COMMUNICATIONS**

- 38.1. The Chairman invited Members to a brief end of year function to be held after the meetings conclusion.
- 38.2. The Chairman informed Members of the circulation of any additional document for Item 53.
- 38.3. The Chairman noted the recent resignation of Councillor Oxley who had been a member of the Audit Committee from its inception until recently. The Chairman praised the work Councillor Oxley had undertaken on the Committee and observed that his valuable input would be sorely missed.

**39. PETITIONS**

- 39.1. There were none.

**40. PUBLIC QUESTIONS**

- 40.1. There were none.

**41. DEPUTATIONS**

- 41.1. There were none.

**42. LETTERS FROM COUNCILLORS**

- 42.1. There were none.

**43. WRITTEN QUESTIONS FROM COUNCILLORS**

- 43.1. There were none.

**44. TREASURY MANAGEMENT POLICY STATEMENT 2011/12 (INCLUDING ANNUAL INVESTMENT STRATEGY 2011/12) MID YEAR REVIEW- FOR INFORMATION**

- 44.1. The Committee considered a report of the Director of Finance that provided a Mid-Year Review of the Treasury Management Policy Statement 2011/12 (including the Annual Investment Strategy 2011/12).
- 44.2. The Director of Finance added that the report was provided to the Committee for information as the body charged with governance.
- 44.3. Councillor Follett noted lender options on loan agreements and enquired how the Authority would respond to a change in the interest rates on loans.



- 44.4. The Director of Finance replied that this was not pre-determined and a decision would be made on the merits of the individual case governed by the requirement to spread risk and minimise exposure to the Authority.
- 44.5. The Chairman noted that the Loans and Technical Manager had attended previous meetings. He suggested he be invited back if it would be of benefit to the Committee.
- 44.6. **RESOLVED-** That the Audit Committee notes the report.

**45. TARGETED BUDGET MANAGEMENT (TBM) MONTH 7- FOR INFORMATION**

- 45.1. The Committee considered a report of the Director of Finance that set out the revenue and capital forecast outturn position for 2011/12 as at Month 7. The report was presented to the Committee for information.
- 45.2. Councillor Pissaridou asked if there was need for concern regarding the budget underspend.
- 45.3. The Director of Finance replied that an underspend would be concerning in conjunction with a failing service delivery. However, the Authority was performing against the Corporate Priorities and delivering an effective service.
- 45.4. Councillor Norman noted her continuing concern regarding the underperformance of Human Resources (HR).
- 45.5. The Director of Finance clarified that there were areas in which the HR service was underachieving which was in part down to the significant savings it had to make to deliver new systems. She was confident that improvements would be realised in particular the extraction of savings from the new iTrent payroll system.
- 45.6. Councillor Follett commented that the TBM forecast variations had significantly improved from previous years. He asked if there was a particular reason for this.
- 45.7. The Director of Finance replied that as the budget papers had been published much earlier than in previous years the annual budgetary forecasts had been harder to predict particularly in the areas where demand or activity was difficult to predict with certainty. She believed the figures also reflected continuous focus on how savings can be maintained and the longevity of savings through the VfM programme.
- 45.8. **RESOLVED-** That the Audit Committee notes the report.

**46. AUDIT COMMISSION: 2011/12 PROGRESS REPORT AND BRIEFING**

- 46.1. The Committee considered a report of the Audit Commission that detailed progress made against the 2011/12 audit plan.
- 46.2. The Chairman re-iterated his and the Committee members continuing concern regarding control weaknesses in payroll processes.

46.3. The Audit Manager clarified that their work with payroll would be more extensive in this audit plan. They would conduct a substantive transaction test to test controls and the work would begin earlier in the year.

46.4. **RESOLVED-** That the Audit Committee notes the 2011/12 external audit progress report.

#### **47. AUDIT COMMISSION: ANNUAL AUDIT LETTER 2010/11**

47.1. The Committee considered a report of the Audit Commission that summarised their findings from the 2010/11 audit. This comprised of the audit of the financial statements and assessment of the Council's VfM arrangements as well as a summary of the current and future challenges facing the Council.

47.2. The Chairman noted his concern regarding the significant weaknesses identified in payroll system and the additional work necessary to gain assurance. He asked the District Auditor if their recommendations to improve internal financial control had been accepted.

47.3. The District Auditor replied that their recommendations were being followed up. The Director of Finance added that there would be increased internal audits carried out in this area.

47.4. **RESOLVED-** That the Audit Committee notes the 2010/11 Annual Audit Letter.

#### **48. REQUEST FOR ASSURANCES FROM THE AUDIT COMMITTEE TO SUPPORT THE AUDIT OF THE 2011/12 FINANCIAL STATEMENTS**

48.1. The Committee considered a report of the Audit Commission that requested a response from the Chair on behalf of the Committee to the specific questions set out in its letter of 20<sup>th</sup> December 2011 by 31<sup>st</sup> March 2012.

48.2. **RESOLVED-** That the Chair provides a response on behalf of the Audit Committee to the specific questions set out in the December 20th letter from the Audit Commission.

#### **49. INTERNAL AUDIT PROGRESS REPORT**

49.1. The Committee considered a report of the Director of Finance that summarised the progress made against the Internal Audit Plan 2011/12, including outcomes of specific audit reviews completed, action agreed, management actions and Internal Key Performance Indicators.

49.2. Councillor Jarrett requested more information on the two priority actions given to VFM Programme- Procurement.

- 49.3. The Director of Finance clarified that this related to the difficulties in capturing and counting the value of savings made and was not an issue of non-compliance.
- 49.4. Councillor Follett asked why limited assurance had been given to Income System- cash and cheques and asked if this was across all departments in the Authority.
- 49.5. The Director of Finance replied that this did apply across the council. Limited assurance had been given to the priorities on controls that were now being re-assessed.
- 49.6. The Committee Members requested further audit information on Payroll systems to be presented to the next meeting.
- 49.7. **RESOLVED-**
- 1) That the Audit Committee notes the progress made in delivering the Annual Internal Audit Plan 2011/12, outcomes achieved and current arrangements going forward to 31<sup>st</sup> March 2012.
  - 2) The Audit Committee requests an update on further audit work undertaken in payroll.

## **50. ANNUAL GOVERNANCE STATEMENT 2010/11 - ACTION PLAN PROGRESS UPDATE**

- 50.1. The Committee considered a report of the Director of Finance that provided an update on the Council's progress in implementing the actions agreed in the Annual Governance Statement for 2010/11.
- 50.2. The Chairman noted that there were two actions rated amber that were due for completion at the end of December 2011. He enquired as to their current status.
- 50.3. The Head of Internal Audit & Business Risk replied that he would check and provide an update.
- 50.4. **RESOLVED-** That the Audit Committee notes the Annual Governance Statement Action Plan at Appendix 1

## **51. STRATEGIC RISK REGISTER**

- 51.1. The Committee considered a report of the Director of Finance that detailed the current prioritised issues which affect the achievement of the Council's priorities. The Strategic

Risk Register was set by the Strategic Leadership Board and reviewed every six months. It was presented to the Audit Committee due to its role to monitor and form an opinion on the effectiveness of risk management and internal control.

- 51.2. Councillor Jarrett asked if the Council regularly monitored policies from Central Government as he understood that there was a significant increase in the use of Statutory Instruments.
- 51.3. The Lawyer replied that the Council's legal team continuously monitored policies from Central Government, in particular the Localism Act that had undergone significant changes since being passed. The legal team always alerted the Leader in the event of Secondary Orders.
- 51.4. **RESOLVED-** That the Audit Committee notes the revised Strategic Risk Register (Appendix 1).

## 52. REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE

- 52.1. The Committee considered a report of the Director of Finance that suggested as best practice that there be a regular review of the effectiveness of the Audit Committee by an open invitation Members workshop. This review would be undertaken against the National Audit Office publication "The Audit Committee Self-Assessment Checklist" and the findings reported back to the Audit Committee Members at the meeting of February 2012. The Director of Finance proposed that such a review could also inform discussions regarding the future governance arrangements with the introduction of a committee system expected in May 2012.
- 52.2. The Chair enquired as to the composition of the workshop.
- 52.3. The Director of Finance replied that this would be a decision for Members to decide however, she would recommend that it be open to all Members to attend.
- 52.4. The Chair suggested that the workshop be attended by Councillor Follett, Councillor Norman and himself with an open invitation to other Members who wished to attend.
- 52.5. The Lawyer noted that there was currently a Members Constitutional Working Group in progress discussing revisions to the Constitution ahead of the introduction of a committee system. He suggested that the findings and recommendations from the Audit Workshop be relayed to this group.
- 52.6. **RESOLVED-** That the Audit Committee
- 1) Notes the preliminary findings against "The Audit Committee Self-Assessment Checklist
  - 2) That a workshop of Audit Committee Members be set up to explore the key issues raised in more detail.

- 3) That a report be brought to the meeting of the Audit Committee on 21 February 2012 that feeds back from that workshop, concludes the review, and incorporates an action plan to enhance the effectiveness of the Audit Committee.
- 4) That the feedback from the workshop be passed to the Member Constitutional Working Group

**53. PART TWO MINUTES OF THE PREVIOUS MEETING (EXEMPT CATEGORY 3 & 7)**

- 53.1. **RESOLVED-** That the Part Two minutes of the previous meeting held on 20 December 2011 be approved and signed as the correct record.

**54. STRATEGIC RISK MANAGEMENT ACTION PLANS FOCUS- SAFEGUARDING VULNERABLE MEMBERS OF OUR COMMUNITY, INCLUDING LOOKED AFTER CHILDREN (SR6) & BECOMING A MORE SUSTAINABLE CITY (SR8) (EXEMPT CATEGORY 3)**

- 54.1. The Committee considered a verbal update from the Strategic Director, People on Strategic Risk 6 (SR6)- Safeguarding vulnerable members of our community including looked after children and the Strategic Director, Place on Strategic Risk 8 (SR8)- Becoming a more sustainable city.
- 54.2. **RESOLVED-** That the Audit Committee notes the updates provided by the Strategic Director, People and Strategic Director, Place on Strategic Risk 6 and Strategic Risk 8.

**55. PART TWO ITEMS**

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

The meeting concluded at 6.25pm

Signed

Chair

Dated this

day of

# CABINET

## Agenda Item 192

Brighton & Hove City Council

<b>Subject:</b>	<b>Targeted Budget Management (TBM) 2011/12 Month 9</b>		
<b>Date of Meeting:</b>	<b>9 February 2012</b>		
<b>Report of:</b>	<b>Director of Finance</b>		
<b>Lead Cabinet Member:</b>	<b>Cabinet Member for Finance &amp; Central Services</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jeff Coates</b>	<b>Tel: 29-2364</b>
	<b>Email:</b>	<b>jeff.coates@brighton-hove.gov.uk</b>	
<b>Key Decision:</b>	<b>Yes/No</b>	<b>Forward Plan No: CAB 21069</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

### FOR GENERAL RELEASE

#### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report sets out the revenue and capital forecast outturn position for 2011/12 as at Month 9. Key information in this report is used to inform the General Fund Revenue Budget report elsewhere on this agenda .

#### 2. RECOMMENDATIONS:

- 2.1 That Cabinet notes the provisional outturn position for the General Fund, which is an underspend of £3.187m.
- 2.2 That Cabinet notes the forecast outturn for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2011/12.
- 2.3 That Cabinet notes the provisional outturn position on the capital programme.
- 2.4 That Cabinet approves the following changes to the capital programme:
- i) The new schemes, variations and slippage as set out in Appendices 1 & 2.

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

- 3.1 Reporting has been summarised by strategic budget areas with Appendix 1 providing details of the commissioning and delivery units aligned with these areas. This includes information on critical capital schemes (paragraph 3.17) and capital summaries are included for each of the strategic budget areas within Appendix 1.

- 3.2 The table below shows the provisional outturn forecast for Council controlled revenue budgets within the General Fund and the outturn on NHS managed S75 Partnership Services. Outturn forecasts provide a projection of the anticipated position as at the end of the current financial year (March 2012).
- 3.3 In depth work has been undertaken on the corporate critical budget forecasts and these are summarised in paragraph 3.6. Other budgets are reviewed on a rolling programme although it is expected that all major variances will have been identified. More detailed explanation of the variances can be found in Appendix 1.

Forecast Variance Month 7 £'000	Directorate	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(719)	People	132,218	129,738	(2,480)	-1.9%
235	Place	51,086	51,221	135	0.3%
172	Communities	13,056	13,031	(25)	-0.2%
120	Resources & Finance	40,053	39,657	(396)	-1.0%
(192)	Sub Total	236,413	233,647	(2,766)	-1.2%
(100)	Corporate Budgets	(2,984)	(3,405)	(421)	-14.1%
(292)	Total Council Controlled Budgets	233,429	230,242	(3,187)	-1.4%
48	NHS Trust managed S75 Services	14,168	14,031	(137)	-1.0%
(244)	Total Overall Position	247,597	244,273	(3,324)	-1.3%

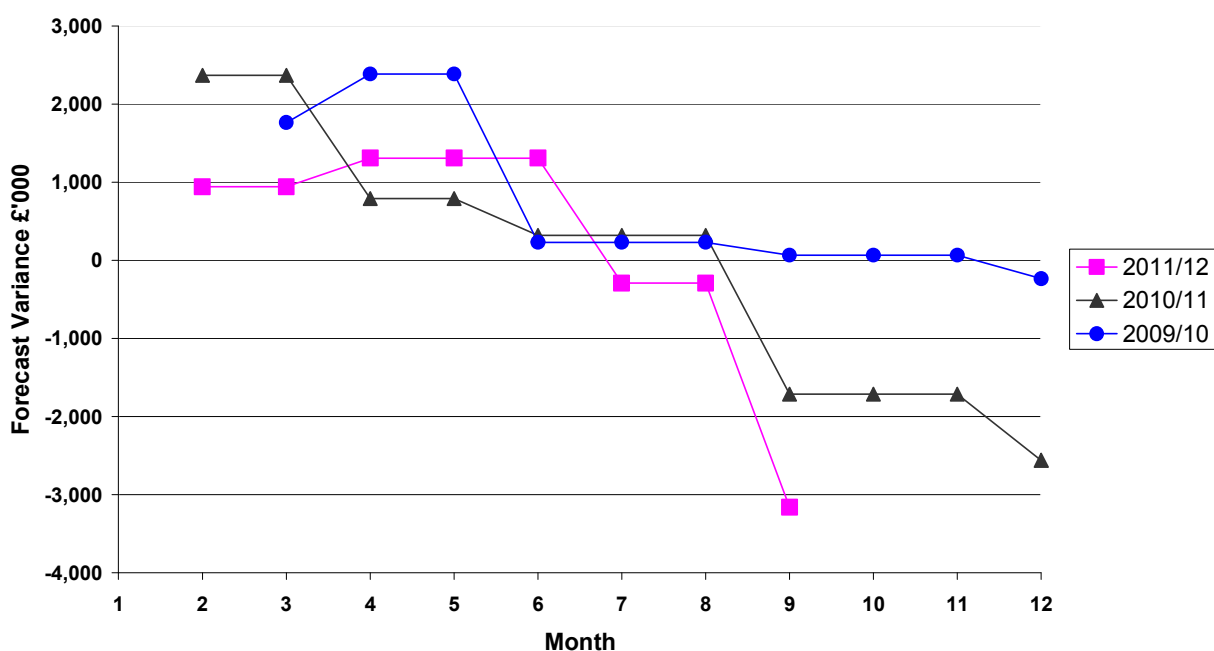
- 3.4 The Total Council Controlled Budgets line in the above table represents the total forecast outturn on the Council's General Fund. The General Fund includes Commissioning Units and Service Delivery Units, which are organised under the strategic areas of People, Place and Communities. These, together with Resource & Finance Units, corporate budgets and Council-managed Section 75 services, make up the Total Council Controlled Budgets. 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 Sussex Community NHS 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.
- 3.5 The above forecasts do not take account of the anticipated saving as a result of strike pay deductions following the recent industrial action. This is expected to be in the region of £0.250m and this will be transferred to the Single Status Reserve at the year end.

### Comparison with Previous Years

- 3.6 The chart below provides a comparison of the forecasts reported to Cabinet for this and the previous two financial years.



### TBM Projections Reported to Cabinet 2009/10 to 2011/12



### Corporate Critical Budgets

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

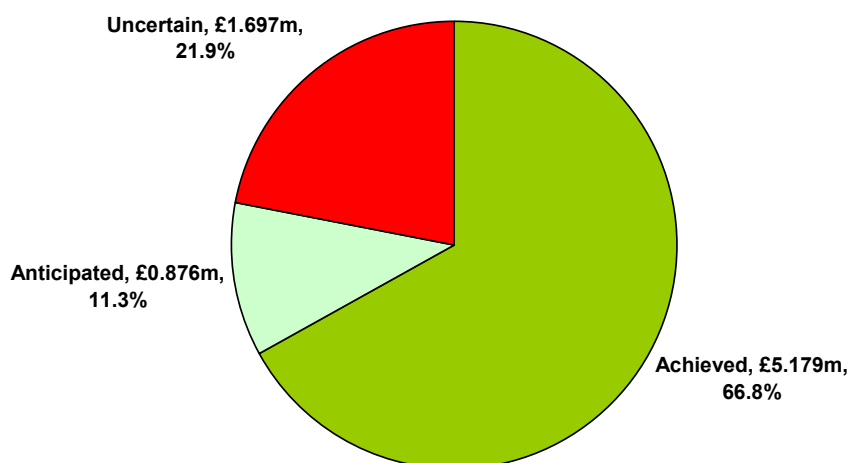
Forecast Variance Month 7 £'000	Corporate Critical	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
35	Child Agency & In House	21,777	21,188	(589)	-2.7%
(4)	Sustainable Transport	(13,586)	(13,733)	(147)	-1.1%
(355)	Housing Benefits	(738)	(1,093)	(355)	48.1%
(279)	Community Care	43,737	43,024	(713)	-1.6%
(603)	Total Council Controlled	51,190	49,386	(1,804)	-3.5%
48	S75 NHS & Community Care	14,168	14,031	(137)	-1.0%
(555)	Total Corporate Criticals	65,358	63,417	(1,941)	-3.0%

## Value for Money (VfM) Programme

- 3.8 The Value for money programme contains large, complex projects which include additional temporary resources (e.g. Project Managers) to ensure they are properly planned and implemented to achieve the required financial and non-financial benefits. However, the projects carry significant risks and may need specialist advice or skills that can be in short supply or they may need to navigate complex procurement or legal processes. Therefore each month the TBM report will attempt to quantify progress on savings in terms of those savings that have been achieved, those that are anticipated to be achieved (i.e. low risk) and those that remain uncertain (i.e. higher risk).
- 3.9 The level of 'uncertain' savings has reduced slightly since month 7 to 21.9%, while the proportion of achieved savings continues to increase and now stands at 66.8% (£5.179m). The overall council underspend position reported above indicates that recovery and other counter measures will more than offset uncertain VfM savings if these are cannot be fully achieved in 2011/12. However, some of these measures are of a one-off nature and therefore every effort will continue to be made to achieve further VfM savings by the end of the financial year since this is critical for the next year's budget position and beyond. Further information about individual VfM projects is included in Appendix 1 under the relevant strategic area.
- 3.10 A summary of current progress toward VfM savings is shown below and a detailed breakdown for each project is provided at Appendix 3.

### Value for Money Programme (All Phases) - 2011/12 Monitoring

Current VfM Target 2011/12 = £7.752m (Full Year = £10.002m)



## Collection Fund

- 3.11 The collection fund is a separate account for transactions in relation to national non domestic rates, council tax and precept demands. Any deficit or surplus forecast on the collection fund in relation to council tax is distributed between the council, Sussex Police and East Sussex Fire Authority in proportion to the value of the respective precept on the collection fund.
- 3.12 The council's share of the projected collection fund deficit position at 31st March 2012 has reduced to about £0.850m from £1.100m due to the increase in student exemptions not being as high as anticipated. Council tax collection remains above target so far this year so the deficit is still entirely as a result of a lower than anticipated liability.

## Housing Revenue Account

- 3.13 The Housing Revenue Account is a separate ring-fenced account which covers income and expenditure related to the management and operation of the council's housing stock. Expenditure is generally funded by Council Tenants' rents. The forecast outturn on the HRA is summarised in the table below. More detail is provided in Appendix 1.

Forecast Variance Month 7 £'000	<b>Housing Revenue Account</b>	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(638)	Expenditure	50,330	49,305	(1,025)	-2.0%
78	Income	(50,330)	(50,194)	136	0.3%
(560)	Total	-	(889)	(889)	

## Capital Budget 2011/12

- 3.14 The table below provides a summary of the capital programme by strategic theme and shows an overall underspend of £0.974m. Within Appendix 1 for each budget area there is a breakdown of the capital programme by Unit.

Forecast Variance Month 7 £'000	<b>Capital Budgets</b>	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Outturn Month 9 £'000
	<b>Budget Area</b>				
0	People	27,788	27,788	0	0.0%
(916)	Place	46,268	45,134	(1,134)	-2.5%
0	Communities	3,357	3,667	310	9.2%
0	Resources & Finance	5,302	5,152	(150)	-2.8%
(916)	Total Capital	82,715	81,741	(974)	4.0%

3.15 Appendix 1 provides details of proposed new capital schemes which are included in the budget figures above. Cabinet approval for new capital schemes is required under the Council's Financial Regulations. It also provides written details of variations (including re-profiled schemes), slippage and underspends. Appendix 2 shows an analysis of these movements and is summarised in the table below.

<b>Capital Budget Movement</b>		2011/12
<b>Summary</b>		Budget £'000
Approved Budget TBM7		89,897
New Schemes		715
Variations to Budget		(7,094)
Slippage		(803)
<b>Total Capital</b>		<b>82,715</b>

3.16 In total, project managers have forecast that £3.544m (£2.741m previously reported and £0.803m this month) of the capital budget may slip into the next financial year and this equates to 4.28% of the budget. This is reflected in the tables above.

3.17 Certain capital schemes have the potential to have significant revenue budget implications if they are not delivered according to timetable. Progress on these more critical schemes is reported regularly through the TBM reports. These schemes are shown in the table below. More detail on these schemes is provided in Appendix 1 under the relevant budget area.

Budget Area	Scheme	Budget (£'000)	Description
People	New Primary School Places	10,012	Delivery critical to keep pace with anticipated increased demand for primary school places.
Place	Vehicle Replacement	676	Forms part of the VFM programme. Delivery is critical to enable planned revenue savings from improved fleet management.
Resources	Accommodation Strategy	2,847	Forms part of the Workstyles VFM programme. Delivery is critical to enable planned vacation of Priory House. Forecast underspend of £0.150m.
Resources	Solar Panel Implementation	0	£0.250m re-profiled into 2012/13 for 3 corporate buildings. The remaining budget is not required following the report to Cabinet on 19 <sup>th</sup> January. – see Resources & Finance capital section in Appendix 1.
<b>Total</b>		<b>13,535</b>	

## **Capital Receipts**

- 3.18 Capital receipts are used to support the capital programme. For 2011/12 the programme is fully funded, however, any changes to the level of receipts during the year will impact on future years' capital programmes and may impact on the level of future investment for corporate funds such as the Strategic Investment Fund, Asset Management Fund and ICT Fund. Capital receipts (excluding housing) are estimated to be £0.820m for 2011/12 and to date £0.837m has been received. This includes the receipts for the disposals of 47 Middle Street, Ovingdean, 34 Roedean Crescent and the second deposit instalments for both Charter Hotel, Kings Road and the Ice rink at Queen's Square.
- 3.19 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 estimated useable receipts for 'right to buy' sales is £0.638m for this financial year and to date £0.364m has been received.
- 3.20 The first tranche of receipts of £3.247m from the housing Local Delivery Vehicle (LDV) has been received out of a total estimated balance of £5.980m for this financial year. The net receipts are ring-fenced to support investment in council owned homes.

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

- 3.21 The forecast outturn is very encouraging, particularly given the scale of the savings that have been implemented during 2011-12, and releases one-off resources to support the budget planning for 2012/13 and 2013/14. It is important to note that the overall underspend only represents a 1.4% variance on the net revenue budget and the underspend on People services, while again significant in cash terms, represents only a 1.9% variance on a very large area of expenditure.
- 3.22 The report sets out the detailed explanations for the underspend but there are a number of common themes that can be drawn out:
- the continued positive impact of the Value for Money Programme on corporate critical social care spending in both children's and adults services;
  - advance planning for the delivery of savings for 2012-13;
  - a recognition across the organisation of the budget challenges that are being faced resulting in tight control on discretionary spend and on recruitment.
- 3.23 All the key areas of underspend have been analysed to determine whether they are one-off or recurrent. A cross check has been undertaken to ensure that where appropriate recurrent savings have been incorporated into the 2012/13 budget proposals and that the underlying trends on corporate critical budgets are properly reflected in the service pressure assumptions for 2012/13. This process has resulted in only very minor changes to the 2012/13 budget proposals

#### **4. COMMUNITY ENGAGEMENT AND CONSULTATION**

4.1 No specific consultation has been 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: 23/01/12*

##### Equalities Implications:

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

##### Sustainability Implications:

5.4 The report includes progress in meeting energy savings targets set out in the VFM Phase 3 programme.

##### Crime & Disorder Implications:

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

##### Risk and 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 minimum 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

##### Public Health Implications:

5.7 There are no direct public health implications arising from this report.

### Corporate / Citywide Implications:

- 5.8 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 £3.187m. As mentioned above, underspending will release one-off resources that can be used to aid budget planning in 2012/13. Any overspend will need to be funded from general reserves which would then need to be replenished to ensure that the working balance did not remain below £9.000m.

### **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. Detailed Revenue & Capital Outturn Forecasts
2. Capital Programme Summary
3. VfM Programme Benefits Realisation

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

None

#### **Background Documents**

None





## People - Revenue Budget Summary

Forecast Variance Month 7 £'000	Unit	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(585)	Commissioner - Children's Youth & Families	17,335	16,311	(1,024)	-5.9%
(58)	Commissioner – Learning & Partnership	10,117	9,864	(253)	-2.5%
416	Delivery Unit - Children's & Families	39,302	39,188	(114)	-0.3%
(227)	Total Children's Services	66,754	65,363	(1,391)	-2.1%
(227)	Commissioner - People	1,840	1,602	(238)	-12.9%
(393)	Delivery Unit - Adults Assessment	49,166	48,297	(869)	-1.8%
128	Delivery Unit - Adults Provider	14,458	14,476	18	0.1%
(492)	Total Adult Services	65,464	64,375	(1,089)	-1.7%
(719)	Total Revenue - People	132,218	129,738	(2,480)	-1.9%

## Explanation of Key Variances

(Note: FTE/WTE = Full/Whole Time Equivalent)

**Commissioner – Children, Youth & Families**

Community Health Services - Information received from the Sussex Community NHS Trust indicates a potential overspend of £397k in 2011/12 on Community Health budgets within the Section 75 arrangements. Information received indicates that the overspend relates to outstanding cost improvement savings but this position is currently being questioned by the Lead Commissioner Children, Youth and Families and the Head of the Children's Services Delivery Unit. The matter has therefore been referred to the S75 Joint Commissioning and Management Groups in line with the council's agreement with the Clinical Commissioning Group and Sussex Community NHS Trust. No pressure in respect of this has been reflected in the figures reported above.

There is an underspend of £0.888m in respect of residential agency placements resulting from lower than budgeted numbers of children placed and average unit costs. There is also a projected underspend of £0.397m on secure placements. However, this is a volatile service area with very high unit costs and one or two placements can have a significant impact on the budget position.

The numbers of children placed in independent foster agency (IFA) placements continues to rise, but actions are in place to bring costs in this area down (see below). During 2010/11 there were 164.52 FTE placements representing a 23% increase on the previous year. Currently there are 189.34 projected FTE placements. Despite a significant reduction in the number of Parent & baby placements during October the overspend is still projected to be £0.790m.

Following the review of early intervention services an underspend in 2011/12 of £0.377m has been identified.

As part of the continuing reorganisation of children's social care services, a number of new safeguarding posts have been created in 2011/12 and these were not fully recruited until recently resulting in an in-year underspend of £0.090m.

The Children's Services Value for Money project is effectively addressing the level of activity and spend in IFA's. The plan focuses on strengthening preventive services and streamlining social care processes including:

- implementing a tiered approach to the procurement of placements for looked after children, reducing the proportion of high cost placements;
- 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;
- Strengthening early intervention and preventive services and commissioning a transformation change programme to support the re-structuring of social work services in the Children's Delivery Unit.

The 2011/12 children's services VFM savings target is £2.019m. Current activity indicates that all of these savings have been achieved.

### **Commissioner – Learning & Partnership**

There are underspends of £0.204m in home to school transport, £0.081m in the school improvement Service and £0.055m for Education Welfare. The underspend on home to school transport reflects the continued reduction in the numbers of children being transported as well as the more favourable terms of the recently renegotiated contracts. This is offset by the overspend of £0.095m relating to the planned closure of the Learning Development Centre (LDC) at the end of January and the associated loss of booking income. This is related to planned changes across the service and links to the corporate accommodation strategy and will involve moving more office based staff into the LDC to generate service efficiencies and rationalise property use.

### **Delivery Unit – Children & Families**

The corporate critical budget for agency disability placements is projected to overspend by £0.301m. The number of children with disabilities placed has increased over the last 12 months and now there are 14 children in placement compared with a budgeted level of 11 places.

Allowances and direct services for adopted children are currently projected to be overspent by £0.131m by the end of the year. This is predominantly caused by inter-agency adoption costs, where the council belongs to a group of local authorities to obtain the best matches for adoptive parents. The net costs of these adoptions are then recharged between the group members and this year it is anticipated that BHCC will have a significant net liability, However, the success of these adoptions avoids potentially much higher costs for independent foster agencies placements and therefore, although there are pressures on this budget, this represents good value for money compared with alternative arrangements.

This is a very volatile service area and may be subject to significant changes during the year.

At the present time there is a projected overspend of £0.282m agency spend on social workers, but this is subject to considerable variance. A successful advertising campaign in the spring/early summer saw the recruitment of a dozen new staff but there is continuing churn of social workers. A particular challenge remains to the service from other local authorities, including London boroughs, offering a significant 'golden hello', drawing-in staff from across the south east. Frontline teams are significantly staffed by younger people who often have greater mobility.

There is also a small overspend of £0.039m predicted on the corporate critical budget for services to care leavers.

The overspends mentioned above are off-set by the underspend of £0.434m in the corporate critical budget for in-house placements. The budget allows for 416 FTE placements of differing types and the current numbers are 20.24 FTE below this level. This is mainly due to fewer residence orders and family & friends placements than budgeted. The average unit costs are slightly higher than budgeted mainly as a result of the mix of different placements with fewer children in the lower cost placement types (e.g. residence orders & family & friends placements). There are also underspends of £0.148m for Sure Start services, £0.115m relating to the in-year review of Early Intervention services, £0.096m on services for unaccompanied asylum seeking children and £0.132m on the Youth Employability Service (YES). The 2011/12 budget for YES includes the one-off amount of £0.200m transition funding and £0.093m relating to the part year effect of the 2011/12 savings proposals. The underspend has arisen as a result of robust financial management contributing towards balancing the overall Children's Services budget. In addition, the actual transitional costs have turned out to be less than initially estimated while designing the new service. As the transitional funding was one-off, it is not available to fund developments which would extend beyond 31st March 2012.

### **Commissioner - People**

There is a forecast underspend of £0.238m (a small improvement from Month 7), largely as a result of staff savings identified and one-off income streams.

### **Delivery Unit – Adults Assessment**

Assessment Services are reporting an underspend of £0.869m (an improvement of £0.476m from Month 7), due largely to savings against the Community Care budget.

The Community Care forecast underspend is £0.713m, of which £0.520m is against Older People (80 WTE clients less than budgeted). There are also underspends of £0.442m against Learning Disabilities, where net growth has been less than expected, and £0.047m against No Recourse to Public Funds. These have been offset by a pressure on Physical Disabilities of £0.296m (6 WTE clients more than budgeted). There have been several large packages of care that have been successfully awarded Continuing Health Care funding. The costs of these packages were previously included within the forecasts (approximately £0.300m notified over the last two months), with approximately £0.100m backdated to the previous financial year. There is a risk that Continuing Health Care funding may not be sustained at the same level into 2012/13.

Across mainstream services there is an underspend of £0.156m, largely from staff savings identified - this includes the delivery of the £0.150m workforce savings identified in the budget strategy.

### **Delivery Unit – Adults Provider**

- Provider Services are reporting a small overspend variance of £0.018m, an improvement of £0.110m from Month 7, reflecting a reduction in the expected initiative spend against supported employment.

## People – Capital Budget Summary

Forecast Variance Month 7 £'000	Unit	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
0	Delivery Unit - Children's & Families	320	320	0	0.0%
0	Commissioner - Schools, Skills & Learning	26,785	26,785	0	0.0%
0	Total Children's Services	27,105	27,105	0	0.0%
0	Delivery Unit - Adults Provider	187	187	0	0.0%
0	Delivery Unit - Adults Assessment	491	491	0	0.0%
0	Commissioner - People	5	5	0	0.0%
0	Total Adult Services	683	683	0	0.0%
0	Total Capital - People	27,788	27,788	0	0.0%

### Critical Budget - New Primary School Places (Re-profile £1.000m)

Funding has been allocated for additional junior places in Hove following the provision of additional infant places at Connaught Road. A number of sites in the area are under consideration. However, no substantive work has been started due to factors outside of the council's control.

Proposals for the re-organisation of primary places in Portslade are currently being discussed with interested parties. No substantive design or building work has progressed. This will now start in 2012/13.

We are currently forecasting a spend of £10.012m in 2011/12 for Primary Capital. As a result, we are seeking to reprofile (£1.000m) to 2012/13 to assist in meeting our commitments next year.

### New Capital Schemes

#### Delivery Unit – Children's & Families

##### Youth Service Vehicle (£0.040m)

A replacement Peugeot Boxster Van has been purchased to be used as a mobile youth information bus for targeted work with young people across the city. The use of the mobile unit increases capacity and flexibility of the youth service and partners and enables us to provide services to young people who are hard to reach and most vulnerable across the city. The replacement vehicle will avoid increasing maintenance costs and issues.

### Variations

#### Commissioner – Learning & Partnership

##### Whitehawk Co-location (£0.528m)

The various major components of the Whitehawk Co-Location project were completed successfully in 2011/12. Final costs for building and demolition work are being agreed. Following occupation, some modest additional work, plus furniture and equipment are being considered and agreed with the relevant parties.

A spend of £1.835m is forecast for 2011/12. It is recommended to re-profile £0.528 to meet the final costs of this scheme. At this stage an overall saving in the order of £0.450m is anticipated. Any savings identified after all final costs have been agreed will be re-allocated to the provision of Junior School places in Hove.

### **Capital Maintenance (£0.950m)**

Some of the funding for capital maintenance has been allocated to undertake work at Benfield Primary School to complete its re-organisation from a Junior School to a Primary School. Work started in November 2011 and is now scheduled to complete in June 2012.

In addition, funding was allocated for additional junior places in Hove following the provision of additional infant places at Connaught Road. A number of sites in the area are under consideration with stakeholders and interested parties. However, no substantive advanced design work has started.

Funding allocated to the proposals to re-organise primary places in Portslade are currently being discussed. No substantive design or building work has progressed. This will now start in 2012/13.

Forecast expenditure is currently £2.625m in 2011/12 for Capital Maintenance. As a result, it is recommended to re-profile (£0.950m) to 2012/13 to assist in meeting our continuing commitments next year.

### **Commissioner – People**

#### **Cromwell Road Basement Development (£0.145m)**

The delay in this project is due to the specialist nature of the development as it is for people with learning disabilities and complex challenging behaviours and as a consequence of this the specification has required specialist input from external agencies and consultation with the potential service users and families. The building is being developed according to the specific needs of the individuals and we must therefore work closely with them, their families and other professionals to ensure that the development is suitable. The consultation process with the families of potential service users has taken longer than expected which has contributed to the delay. The latest estimate for the development work to be completed at Cromwell Road is July 2012 so will need re-profiling. As the construction will not commence until May, the majority of the total cost of £0.150m will need to be carried forward. It is therefore requested that £0.145m be carried forward to 2012/13, with the remaining £0.005m this financial year for professional fees incurred to date.

### **Delivery – Adults Assessment**

#### **IT Infrastructure and Adult Social Care Reform Grants Reprofile (£0.078m)**

The two budgets are funding a programme supporting systems changes in adult social care which are linked to both the personalisation programme and the drive for more efficient delivery.

The two major projects underway in 2011/12 are the introduction of Electronic Care Monitoring across all service providers and the implementation of a rostering system for in house service provision. There have been delays in full implementation of the project plans as there have been technical interface issues to resolve between two external systems providers and also some implementation issues with a few of our service providers. The delays have also required a review of the budget required for these projects. The matters have been resolved such that we are confident of full implementation being achieved by March 2012.

The delay has had no impact on service users but does mean that we are continuing to operate with less efficient systems and the benefits of the new systems have yet to be fully realised.

### **Short Breaks for disabled children (£0.243m)**

The 2011/12 grant available is £0.379m; this will be used to purchase equipment and transport to facilitate various short break activities (£0.114m) and a mini-bus for Tudor House (£0.022m).

This would leave £0.243m to be re-profiled into next year and to be used, in conjunction with the CityParks project, to provide improved inclusive play equipment and facilities in a number of venues (£0.130m). Also a contribution towards a project for additional short break facilities for young people with moderate learning disabilities and challenging behaviour, in conjunction with one of our special schools. These plans for next year are still to be confirmed once further discussions have taken place with the relevant agencies.

### **Changes under £0.050m**

An additional contribution of £0.015m has been received towards the 55 Drove Road scheme.

**Place - Revenue Budget Summary**

Forecast Variance Month 7 £'000	Unit	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
119	Commissioner - City Regulation & Infrastructure	3,469	3,541	72	2.1%
46	Delivery Unit - City Infrastructure	25,000	24,809	(191)	-0.8%
(49)	Delivery unit - Planning & Public Protection	5,216	5,193	(23)	-0.4%
(21)	Major Projects	306	285	(21)	-6.9%
95	Total City Regulation & Infrastructure	33,991	33,828	(163)	-0.5%
(30)	Commissioner - Housing	16,796	16,863	67	0.4%
170	Delivery Unit - Housing & Social Inclusion	299	530	231	77.3%
140	Total Housing	17,095	17,393	298	1.7%
235	Total Revenue - Place	51,086	51,221	135	0.3%

**Explanation of Key Variances****Commissioner - City Regulation & Infrastructure**

Sustainable Transport is forecasting an overspend against budget of £0.072m. The main variance of £0.075m relates to a projected shortfall in income from recharging officer time to capital projects in Highway Engineering & Projects.

**Delivery Unit - City Infrastructure**

Parking Operations is now forecasting an underspend against budget of £0.147m, an improvement of £0.143m since month 7.

There is a shortfall in the level of on-street pay and display income but this is mainly mitigated by increases in permit income. Overall this has led to a shortfall against budget of £0.040m. Income from the off-street car parks reflects the poor condition of Regency Square Car Park which will be addressed by the agreed refurbishment works. The shortfall against budget overall for the off street car parks is £0.178m. The forecast for the HRA High Street Car Park is for an overspend of £0.028m as the car park has had to close for refurbishment works.

Income from penalty notices is expected to exceed budget by £0.265m, due to concentrating enforcement in the areas most affected by poor parking and through enforcement of bus lanes. Efficiencies in the removals service and enforcement contract variations will lead to expenditure savings of £0.168m. A sum of £0.250m will therefore be used to contribute to the Regency Square car park refurbishment capital scheme, reducing the reliance on borrowing to fund this project.



Salary underspends total £0.080m due to vacancy management. There is an additional underspend of £0.130m owing to improvements to the system of medical assessments for blue badges.

Highways is now forecasting an underspend against budget of £0.044m. This is due to additional income from tables and chairs, A-Boards and hoardings.

CityClean is predicting a breakeven position against budget. An underspend of £0.410m on employee/agency costs will be used to invest in refuse and recycling fleet (part of the Vehicle Replacement Capital Programme), which will reduce future years' borrowings costs, with an overall financial benefit to the council.

### **Delivery unit - Planning & Public Protection**

Development Planning is forecasting an underspend against budget of £0.069m, of which £0.045m is due to vacancy management savings, and £0.024m is due to additional Development Control income.

In Public Protection there is a pressure due to increased vet and kennelling costs of £0.010m and an overspend of £0.036m in staff costs relating to Environmental Protection work.

### **Major Projects**

There is a projected underspend of £0.021m relating to staffing costs.

### **Commissioner – Housing**

The projected overspend of £0.067m is an increase of £0.097m from month 7 and is mainly a result of additional spending on staffing in homelessness. This was in order to clear the backlog of work that had accumulated due to the increase in homelessness applications, which we were anticipated as result of the economic downturn. There is also additional spending on leasing properties as a result of needing to increase the stock above original projections to meet increased demands, coupled with having to pay more for leases as the rented housing market is very robust with rising prices. There are other offsetting variances within the forecast including the previously reported pressure at Palace Place/Old Steine for which management plans are now in place to resolve in 2012/13.

### **Delivery Unit – Housing & Social Inclusion**

The budget for Travellers is now projected to overspend by £0.231m compared to an overspend of £0.170m reported at month 7. This is mainly due to additional costs for security (£0.120m), rubbish clearance (£0.080m) and legal fees (£0.050m). These costs are offset by minor underspends elsewhere in the service.

**Place – Capital Budget Summary**

Forecast Variance Month 7 £'000	Unit	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
0	Commissioner - City Regulation & Infrastructure	5,224	5,202	(22)	-0.4%
(129)	Delivery Unit - City Infrastructure	3,999	3,674	(325)	-8.1%
0	Major Projects	533	533	0	0.0%
(129)	Total City Regulation & Infrastructure	9,756	9,409	(347)	-3.6%
0	Commissioner - Housing	5,521	5,521	0	0.0%
(787)	Delivery Unit - Housing & Social Inclusion (HRA Capital)	30,991	30,204	(787)	-2.5%
(787)	Total Housing	36,512	35,725	(787)	-2.2%
(916)	Total Capital - Place	46,268	45,134	(1,134)	-2.5%

**Critical Budget – Vehicle Replacement (Re-profile £0.123m from 2012/13 to 2011/12)**

A sum of £0.123m needs to be re-profiled from 2012/13 to 2011/12 to fund the level of anticipated expenditure in the current year. It is planned to use £0.410m of revenue funding instead of unsupported borrowing to fund this scheme. This will allow unsupported borrowing funding to be moved to future years to fund investment in the fleet. This will reduce revenue costs in future years and reduce the council's overall borrowing requirement.

**New Capital Schemes****Delivery Unit – Housing & Social Inclusion (HRA)****Redevelopment of HRA vacant garage site of £0.675m**

As part of ongoing partnership work the Home & Community Agency (HCA) approached the Council in November 2011 with the possibility that funding may be available to prepare identified Brownfield Sites for development. This funding would be for money spent in the financial year 2011/12 and would not be tied to delivery but the HCA would expect to see the council work up delivery solutions during this period.

Initial potential sites have been identified by the Housing Development Team in consultation with the Asset Management and Garage Team. The criteria were that they must be empty and deliverable. Feasibility, design and preparation work will be taken forward in consultation with key stakeholders.

The funding of this feasibility, design and site preparation for the vacant garage sites will be reimbursed through grant from the Homes and Community Agency (HCA) provided the work is completed and invoiced by the 31 March 2012.

In order to maximise the grant funding for this project preparation needs to commence as soon as practicable and be completed within the HCA deadline.

If any costs relating to this project do slip into the financial year 2012/13 these will be met through HRA capital reserves.

### **Variations**

#### **Commissioning Unit – City Regulation Infrastructure**

##### **Local Transport Plan (Increase of £0.480m)**

For 2011/12, further funding of £0.480m has recently been provided by the Department of Transport for the Local Transport Plan. Allocation of this additional funding will be made in line with the priorities and projects identified in the 2011/12 LTP capital programme (approved in April 2011), and the objectives set out in the council's new LTP which include reducing carbon emissions and increasing equality of opportunity.

As the funding has been made available late in the financial year, it will predominantly be spent on priority projects that can be started quickly, or equipment that will be required for ongoing programmes of work. Therefore, this will focus on the resources required to implement maintenance schemes for roads, pavements and street lights, as well as traffic signals and traffic management cameras and signs. Locations could include:

- A23, A270, A259 (road maintenance)
- The seafront and The Drive (street lighting)
- Church Road/Hove Street and Dyke Road/Upper Drive (tactile cone facilities at pedestrian crossings)
- Church Road/George Street (traffic signal equipment)
- The Seafront and Old Steine (CCTV cameras)
- A259 (variable message car park sign)

The current forecast assumes that all this funding will be spent.

#### **Delivery Unit – City Infrastructure**

##### **Hollingdean Depot Capital Costs £0.152m**

Demolition delays have resulted in additional health and safety measures being implemented to the building itself and increased health and safety monitoring. This and the lack of diesel pump drainage identified by Environment Agency as a possible source of contamination has resulted in additional time being spent on design works. All these issues are contained in the Opportunity and Risk Register which is regularly reviewed and updated by CityClean, Property & Design and Health and Safety.

### **Street Lighting (lanterns) re-profile (£0.300m) and underspend (£0.100m)**

The first stage of the project is in progress which entails testing and design work for the relevant streets. The investment will now be to the sum of £300,000 to enable the changing of 650 lanterns across the city; equipment will be ordered from April 1st and installed in stages over the financial year. The sum also includes a number of full column changes to facilitate the project. Based on the current cost of energy at 9p per kilowatt hour the payback period for the investment is 11 years. However it is highly likely that with predicted increases to energy costs that this will reduce significantly.

### **Tarner Park S106 £0.071m**

Tarner Park had improvements to play facilities funded through S106 agreement from the Ebenezer Chapel development. This work was incorporated into the Playbuilder project to ensure value for money as part of a larger procurement. The total budget increase required in 2011/12 is £0.064m with a further small balance of £0.007m which will be used 2012/13 to further enhance the site.

### **Variations under £0.050m**

#### **Parks S106 Re-profiles**

Re-profiles into 2012/13 are requested for various S106 funded park improvements: Vale Park Portslade Improvement (£0.023m), Saunders Park Playground (£0.025m), Queens Park Playground (£0.032m), St Anne's Wells Gardens (£0.017m), Knoll Recreation Ground (£0.039m), Queens Park (£0.020m), Stoneham Park (£0.028m) and Aldrington / Wish / Saltdean / Tarner (£0.030m).

#### **Gritter Vehicles**

Following a rigorous procurement process a re-profile of (£0.024m) into 2012/13 is requested. This will leave an underspend of £0.096m on this scheme – see underspends section.

### **Major Projects**

#### **New England House (£0.081m)**

The re-profile of £0.081m is mainly due to significantly lower building condition survey costs than originally envisaged. This price was driven down by running a competitive tendering process and by using in-house resources as far as possible to ensure we are not paying consultants to duplicate work already done within the council. An appropriate level of funding is also being held to undertake a large scale procurement exercise for the building, but this has not happened in 2011/12 as the city council is undertaking further work on examining options. It is possible that c.£20,000 will be used for 'the CURE', a pilot project within the building to market test and develop the digital/creative hub model which will bring with it European funding, but due to the project not being considered for approval until May 2012 the money cannot be spent in the current financial year.

#### **Preston Barracks (£0.060m)**

The council has continued to work in partnership with the University of Brighton towards comprehensive redevelopment of city council and university land on either side of the

Lewes Road. Good progress has been made through 2011/12, most notably the joint development of a Planning Brief in the early part of 2011, the final version of which was approved at the Planning, Economy, Employment and Regeneration (PEER) CMM meeting on 15 September 2011. The partners have since agreed that a detailed master plan is required to inform scheme progression and future decision making on land use, phasing, procurement and delivery arrangements. The master plan was tendered in November 2011 and the partners are now evaluating submissions with a view to appointing the successful team by the end of January 2012. This represents a slight delay on the anticipated timetable, as a consequence of which, spending on specialist advice and support (e.g. financial viability and legal) will now be needed in 2012/13 as the master plan develops and as options testing is undertaken.

### **Shoreham Harbour Regeneration (£0.060m)**

In 2010/11 the city council agreed to make a financial contribution towards the newly created Joint Area Action Plan team for planning and project co-ordination of the Shoreham Harbour Regeneration project. In the expectation of this team having a continuing role, the same financial provision was made in 2011/12. However, subsequent partner decisions on the future direction of the project mean this is no longer required and the city council's involvement in the project has been met from existing officer resources.

### **Brighton Centre Redevelopment (reserve) (£0.199m)**

The Brighton Centre project with Standard Life remains live and the current level of funds have been retained for this purpose. Twin track options of full scale refurbishment of the building or a wider redevelopment of the central area (based upon the current partnership scheme with Standard Life) are both under consideration. This approach has been agreed with the Council leadership and SLB. The Major Projects Team are leading on both pieces of work with Strategic Finance, Property Teams (Building Maintenance and Facilities) and the Brighton Centre Technical Team to move towards a full and robust appraisal of the costs, risks and opportunities presented by each option. It is proposed that a full Business Case be presented to Government once arrangements are announced for Tax Incremental Financing and indications suggest the additional business rates produced, in tandem with a turn around in operational profit delivered by a new convention centre, would produce borrowing potential sufficient to make significant inroads to the likely funding gap. A meeting with Standard Life and the Council leadership before Christmas indicated a willingness on both sides to pursue this option to resolution in the next 4-6 months.

The current level of funding has therefore been retained in anticipation of the above and in readiness for work beginning with Standard Life. The funds would ensure the Council has the necessary resource and expertise to protect its position as work proceeds. If the Council decides at a future point to call a halt to any further work with Standard Life (if the final funding position appears unviable and no new options remain on the table) these funds will no longer be required. A proportion would still be needed to take forward a refurbishment proposal which would almost certainly involve closure of the centre and significant work to areas of the building critical to its operation (lifts, roof, service yards, and access).

### **Variations under £0.050m**

Re-profiles into 2012/13 are requested for the following schemes: Circus Street Development (£0.040)m, Falmer Released Land (£0.032)m, i360 project (£0.037)m, Open Market (£0.030)m King Alfred Development (£0.041m), and The Keep (£0.028)m.

### **Commissioner – Housing**

#### **Increases to schemes under £0.050m**

Increases to budget are requested for Disabled facilities Grant of £0.013m funded by increase in grant and Local Delivery Vehicle on going costs of £0.020m funded by Brighton & Hove Seaside Community Homes Ltd.

### **Delivery Unit – Housing & Social Inclusion (HRA)**

#### **Window Replacement (£0.360m)**

There is currently a delay in the window replacement programme at the Bristol Estate. This has been caused by delays in starting the project due to the tendering and specification process which requires that the partnership can show it is getting best value for money for the leaseholders and the city. This has taken longer than anticipated due to the need to revise the scope of the works and seek further planning approval. There has been no effect on the day to day service delivered to tenants. The project is now expected to be completed in the first half of the next financial year on these properties will give additional energy efficiency and costs benefits to residents.

#### **Communal Rewire (£0.520m)**

There are two projects within the communal rewire budget which need to be moved to future year's programmes as a result of other works being required which have had to take precedence. At Essex Place works have been delayed due to the lift replacement being brought forward and at Bristol Estate structural and external works are required before any rewiring works are completed. There has been no effect on the day to day service delivered to tenants with the project being delivered with as little disruption as possible.

#### **Door Installations £0.136m**

The door installation programme has been progressing well. Additional funding from next year's budget of £0.136m is being requested to be brought forward to maintain the momentum for replacement of doors in properties that have failed the decency standard. Particularly in the Woodingdean area which has more works required than originally anticipated being in the current year's programme.

This will have a positive impact on residents as approximately 239 more doors than originally anticipated will become 'decent' this financial year. This will also help to achieve the decent homes target for the city in this year.

#### **Kitchen Installations £0.312m**

The kitchen replacement programme has been progressing well. Additional funding from next year's budget of £0.312m is being requested to be brought forward to maintain the momentum for replacement of kitchens in properties that have failed the decency standard.

This will have a positive impact on residents as approximately 100 more properties that originally anticipated will become 'decent' this financial year. This will also help to achieve the decent homes target for the city in this year.

### **Ainsworth House (£0.500m)**

It has been previously reported to Cabinet at month 7 that the procurement stage of the project had taken 12 weeks longer than anticipated, which meant that contract sums due to be released for construction in 2011/12 would be released in 2012/13, therefore requiring £1.2m budget to be re-profiled into 2012/13.

A delay in contract sign-off due to contractual clarifications has caused a further month's delay to the project which requires further re-profiling of the budget into 2012/13. To mitigate this delay time will be made up elsewhere during the build process and therefore should not have a significant impact on delivery. The Grant allocation will not be affected.

## **Slippage**

### **Delivery Unit – City Infrastructure**

#### **Downland Initiative Programme (£0.237m)**

The council is currently producing a Biosphere Reserve bid. This includes a number of significant projects on the estate, for example a large block of open access land to the west of Ditchling Rd, which are in line with the Downland Initiative and could be financed by the programme budget. With the establishment of the South Downs National Park Authority, detailed work on areas of responsibilities are being finalised, for example, responsibilities for rights of way and access land and officers are currently working on an accord with the National Park on responsibilities in this area.

Rather than keep to the original plan to spend the money in this financial year, spending has been delayed to ensure that the council can maximise the opportunity for joint working with the National Park to ensure that members' priorities within the Downland Initiative can be delivered.

#### **Minor Slippage below £0.050m**

There is slippage of (£0.007m) in relation to the Tarner Park S106 scheme.

## **Underspends**

### **Delivery Unit – City Infrastructure**

#### **Gritter Vehicles**

Following a vigorous procurement process there is an underspend of £0.096m on this scheme. This is after £0.024m has been re-profiled into 2012/13.

**Minor Underspends under £0.050m**

King George VI Highway works (£0.004m) and Shoreham Harbour CIF works (£0.018m) are projecting small underspends.

**Previously reported underspends**

The Lanes & London Road Car park improvements (£0.129m), Water Tanks (HRA) (£0.720m) and other small underspends in Housing (HRA) of (£0.067m) have already been notified to Cabinet in TBM7.



**Communities - Revenue Budget Summary**

Forecast Variance Month 7 £'000	Unit	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
0	Commissioner - Communities & Equalities	3,446	3,446	0	0.0%
0	Community Safety	2,357	2,357	0	0.0%
0	Commissioner - Sports & Leisure	1,404	1,404	0	0.0%
0	Commissioner - Culture	2,049	2,049	0	0.0%
172	Delivery Unit - Tourism & Leisure	3,800	3,775	(25)	-0.7%
172	Total Revenue - Communities	13,056	13,031	(25)	-0.2%

**Explanation of Key Variances****Commissioner – Communities & Equalities**

There are currently some minor variances across the service, however, the expectation is that these will be managed and a break-even position or better achieved by year-end.

**Community Safety**

As above, there are currently some minor variances across the service, however, the expectation is that these will be managed and a break-even position or better achieved by year-end.

**Commissioner – Sports & Leisure**

This budget relates mainly to contractual payments for leisure services. Payments are monitored closely and although there are currently some small variances a break-even position is expected by year-end.

**Commissioner – Culture**

Similarly, this budget includes contractual payments, for example relating to the Brighton Festival, and therefore costs are understood well in advance and do not vary considerably. A break-even position is expected to be achieved.

**Delivery Unit – Tourism & Leisure**

The forecast across Tourism and Leisure has improved by £0.197m from an overspend position of £0.172m at TBM7 to a projected underspend of £0.025m. This forecast includes projected overspends of £0.014m for Tourism & Marketing and £0.007m for the Royal Pavilion and Museums which have been offset by projected underspends on the Seafront and Sports facilities of £0.034m, Sports Development of £0.029m and Venues of £0.025m.

The Venues forecast underspend includes a pressure of £0.078m regards the ongoing income risk against the Hove Centre, as last year, and £0.082m income pressure against the Brighton Centre based on confirmed business. These pressures have been offset by savings identified elsewhere including increased recharges of costs and changes to the Ticketmaster contract. The Royal Pavilion and Museums forecast overspend of £0.007m

includes admissions income at £0.193m above target although this has been exceeded by additional security costs and unachieved income in the Tea Rooms. In all areas actual and forecast income is closely reviewed and action is being taken to maximise any business opportunities.

## Communities - Capital Budget Summary

Forecast Variance Month 7 £'000	Unit	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
0	Commissioner - Sports & Leisure	744	744	0	0.0%
0	Delivery Unit - Tourism & Leisure	2,613	2,923	310	11.9%
0	Total Capital - Communities	3,357	3,667	310	9.2%

## Variations

### Delivery Unit – Tourism and Leisure

#### **Brighton Centre Façade (Increase in budget from the Brighton Centre Reserve of £0.259m and overspend of £0.310m)**

Initially aspects of this scheme totalling £0.259m were expected to be treated as revenue expenditure. Following clarification of accounting guidance this has been reclassified as capital expenditure and therefore the revenue resources previously set aside need to be added to the capital budget, giving a total budget of £0.606m.

The forecast outturn for the capital works at the Brighton Centre is estimated to be £0.916m against the revised budget of £0.606m leaving an overspend of £0.310m. The overspend has arisen due to unforeseen excavation works and delays resulting in additional costs being incurred such as extra scaffolding costs, extra concrete costs and the erection of temporary structures in order to avoid the cancellation of events.

Discussions are currently ongoing with the contractor regarding final contract sums. In the interim, the additional costs will be funded from the Brighton Centre Reserve.

### Slippage

#### **Royal Pavilion Lighting (£0.234m)**

Delays in the start of the procurement process have meant that the pre-qualification questionnaire process was not started until October. Following evaluation of the returned PQQs, five contractors have now been invited to tender for the contract. Return of the tender documents is not until the beginning of February. The evaluation process and award of the contract will follow. The work to decommission the existing scheme and install the new one is not likely to start until the beginning of March and it is not expected that any spend will take place in the current financial year. The existing security lighting scheme will be used until the new system is in place.

## Resources &amp; Finance - Revenue Budget Summary

Forecast Variance Month 7 £'000	Unit	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(81)	Delivery Unit - City Services	14,301	14,028	(273)	-1.9%
(355)	Housing Benefit Subsidy	(738)	(1,093)	(355)	48.1%
671	Resources	19,117	19,474	357	1.9%
(115)	Finance	6,138	6,013	(125)	-2.0%
0	Strategic Leadership Board	1,235	1,235	0	0.0%
120	Total Revenue – Resources & Finance	40,053	39,657	(396)	-1.0%

## Explanation of Key Variances

**Delivery Unit – City Services**

City Services are reporting an underspend of £0.273m, which is an improvement of £0.192m from Month 7.

The movement is due to a variety of factors, including a detailed review of ICT related costs within Revenues and Benefits leading to a budget saving of £0.085m; improved income forecast within Bereavement Services of £0.042m and further staff savings within Cashiers and Reception of £0.041m. The remaining underspend relates to savings identified from vacancy management and other non-pay budgets.

**Housing Benefit Subsidy**

The corporate critical Housing Benefit budget is expected to generate an additional £0.355m in subsidy as local authority errors are predicted to be held below the government threshold and therefore attract additional subsidy. This is a large and complicated budget area and the forecast will be kept under review as new data becomes available from the Housing Benefit system over the remainder of the year.

**Resources**

The net overspend across Resources is £0.357m, of which the main variances are on the following areas: -

**Human Resources (£0.260m overspend)**

Significant budget risks in the People Centre continue due to the pressure of work in this area and the potential need for additional short-term resources to manage risks effectively. However, continued management effort has reduced the projected overspend by a further £0.040m to £0.260m mainly through savings within the Health and Safety budget offset by People Centre pressures. Human Resources will continue to work strenuously to improve the position in advance of the review of systems and services which is due to begin immediately after the procurement process has been completed.

**Communications (£0.060m overspend)**

The forecast overspend of £0.060m for 2011/12 is an improvement of £0.051m compared with month 7 (£0.111m overspend) and a significant improvement compared with the 2010/11 overspend of £0.459m. This significant improvement is largely a result of the

consolidation of communications activities now coming to fruition as originally set out in the Communications Value for Money programme.

The consolidation process has brought about greater economies scale and communications e.g. greater management of demand, more efficient procurement and revenue generated from greater use of in-house design, print & sign functions, and better forward planning of strategic communications activities aligned with specified budgets. This has been a complex and challenging piece of work given the scale (spanning the entire council) but the outcome has led to a more efficient service offering best practice communications.

Additionally, total spend on communications continues to reduce across the organisation as a result of the work done to focus communications, improve consistency, reduce the number of communication's suppliers and integrate communications from different parts of the council.

The advertising and sponsorship tender is on track to award contracts before the end of this financial year - as previously reported, due to uncertainty around the £0.250m savings in this financial year a risk provision of £0.250m has been allocated to this budget on a one off basis.

### **Property & Design (£0.053m overspend)**

Property & Design are forecasting an overspend of £0.053m, which is a decrease of £0.212m from Month 7. The improved position reflects an increase in Property's technical services consultancy fee income. This is in relation to projects needed to address the additional schools places required this year at four schools including the refurbishment of the Connaught School.

The commercial portfolio has also benefitted from fortuitous income received recently and some NNDR refunds. These changes have helped offset the previously reported income pressures.

### **ICT**

The forecast for Month 9 is a small overspend of £0.020m.

### **Legal & Democratic Services**

The forecast for Month 9 is an underspend of £0.036m.

### **Finance**

The forecast for Month 9 is an underspend of £0.125m. Within this, Audit are forecasting an underspend of £0.062m, largely as a result of staff vacancies now confirmed to the end of the financial year. There is also an underspend of £0.063m across Financial Services and Strategic Finance & Procurement.

### **Strategic Leadership Board**

The forecast for Month 9 is a break-even position.

## Resources & Finance - Capital Budget Summary

Forecast Variance Month 7 £'000	Unit	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
0	Delivery Unit - City Services	204	204	0	0.0%
0	Resources	4,903	4,753	(150)	-3.1%
0	Finance	195	195	0	0.0%
0	Total Capital – Resources & Finance	5,302	5,152	(150)	-2.8%

### Critical Budget – Accommodation Strategy (underspend of £0.150m)

Phase One of the Accommodation Strategy (Workstyles) involved the vacation of Priory House and creation of the new customer service centre and refurbishment of three floors of Bartholomew House. The scheme had a total budget of £3.720m over 2011/12 and 2012/13 which was funded from a combination of borrowing and Asset Management Fund.

The project included building works, staff moves, decants, furniture, ICT and telephony and was completed £150,000 under budget. This underspend will be used in Phase Two of Workstyles in the 2012/13 financial year.

### Critical Budget – Solar PV Implementation (re-profile £0.250m)

The council had planned to install solar photovoltaic (solar PV) roof mounted systems suitable for feed-in-tariff (FIT) payments onto a range of its properties at an estimated cost of £2.6m for 39 sites including schools and corporate buildings. The works were timed to take advantage of the feed-in-tariff available until 31st March 2012, however, the recently announced Government consultation on the changes to the solar PV feed-in-tariff arrangements has had an adverse impact on the proposed business cases and payback periods making most of the proposed installations to the sites financially unviable.

The council will continue with the proposed installation of PV solar panels at 3 of the council's main corporate administration buildings that are to be refurbished under the Workstyles Phase 2 transformation should they prove to be financially viable. The works are timetabled to commence within 2012/13 and are estimated to cost up to £0.25m. The remaining funding of £2.35m will not be required in 2011/12 and the remaining sites will be assessed following the outcome of the government's review of the feed-in-tariff, with future potential funding being incorporated into the capital programme if required.

With respect to the school sites, it is proposed that the feedback from the government consultation on the proposed changes is considered before the revised business plans, payback periods and funding options for each school that has expressed an interest in the scheme can be reviewed.

Each set of panels will generate green electricity for the sites they are installed upon. The overall effect of this will be a reduction in the carbon footprint for the Council. Additional benefits will include a reduction in Carbon Reduction Commitment payments due to the reduced carbon emissions that the solar panels will contribute to.

## Variations

### Resources – HR Organisational Development

#### Human Resources System (£0.398m)

Due to the reductions in non-school recruitment we are rescheduling the development work on the recruitment interface and re-prioritising other parts of the project that aren't incurring significant expenditure but will deliver business benefits.

### Resources – Communications

#### Relocation of Print & Sign Unit £0.026m

The project is evaluating various accommodation options to house the print and sign unit away from the current location at Hollingdean Depot due to health and safety concerns. The building has been temporarily propped to mitigate risk, but the service requires relocation. It has taken longer than originally planned to find a suitable property and it is requested to increase the budget to cover the extra cost of £0.026m which will be used in 2012/13.

### Resources – Property

#### DDA Access Works (£0.065m)

The Bartholomew House accessible fire evacuation lift project will be in progress at year end and completed early in 2012/13. The programme also originally included other improvement works within Bartholomew House that have been postponed to tie-in with planned dates for the next phase of accommodation strategy works in January 2013.

#### New England House (£0.050m)

Concrete repairs are being undertaken at New England House within phases. The second phase was successfully completed in 2011-12. Timing due to the possible onset of cold winter weather coupled to insufficient budget within 2011/12 to progress the next phase leads to requesting this £50k re-profile. Further funding is being recommended for inclusion in next year's planned maintenance programme to deliver the next phase of concrete repairs.

### Variations under £0.050m

Re-profiles are requested for Planned Maintenance of Farmland (£0.014m), Farming Diversification (£0.017m), Kensington Street (£0.019m), Brighton Town Hall Fire Evacuation Lift (£0.027m), Portslade Town Hall (£0.030m) and Corporate fire risk Assessments (£0.010m),

## Slippage

### Resources - ICT

#### IT Communications (£0.030m)

Following an upgrade to the core voice and communications platform in late January 2012, which is part of a long term planned migration to a flexible and integrated IP telephony and communications platform, new features and functionality that are supplied with the upgrade and that can deliver benefits in the short term will be

introduced in the first tranche of service change. In order to obtain the best possible business benefit and longer term savings from the remaining investment, £30,000 will be held over to 2012/13 so that the findings and recommendations of the current Telephony Review taking place within the Improving Customer Experience (ICE) programme can be incorporated into subsequent phases of implementation.

### **Information Management (£0.089m)**

This is due to delays in reviewing the procurement and specification of services to support customer access initiatives and resourcing conflicts with other projects. The migration of the Planning system is taking longer than estimated due to delays with the data transfer and the payments to the Supplier are staged according to delivery targets so the final payment will be delayed. The contract for the temporary ICT Consultant runs until June 2012 so a proportion of these costs will need to slip into next year.

### **Resources – Communications**

#### **Relocation of Print & Sign unit**

It has taken longer than originally planned to find a suitable property and therefore the budget of £0.206m needs to be re-profiled into 2012/13. This includes the budget increase of £0.026m referred to in the variations section.



## Corporate Budgets - Revenue Budget Summary

Forecast Variance Month 7 £'000	Unit	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
60	Bulk Insurance Premia	3,009	3,109	100	3.3%
(380)	Concessionary Fares	9,660	9,280	(380)	-3.9%
155	Capital Financing Costs	10,427	10,582	155	1.5%
0	Levies & Precepts	166	166	0	0.0%
1,490	Corporate VFM Savings	(1,625)	(203)	1,422	87.5%
(1,455)	Risk Provisions	3,813	2,067	(1,746)	-45.8%
30	Other Corporate Items	(28,434)	(28,406)	28	0.1%
(100)	Total Revenue - Corporate Budgets	(2,984)	(3,405)	(421)	14.1%

## Explanation of Key Variances

**Bulk Insurance Premia**

The forecast overspend has increased by £0.040m to £0.100m. This is due to an increased number of liability claims.

**Concessionary Fares**

The forecast underspend remains at £0.380m. This mainly relates to fixed deal agreements with Brighton & Hove Bus & Coach Company and Stagecoach South, agreed by Cabinet on 9th June, being lower than the budget provision.

**Capital Financing Costs**

The overall overspend remains at £0.155m. It is due mainly to a lower than projected recharge to the Housing Revenue Account for interest on borrowings. HRA borrowing in 2010/11 was some £6.000m lower than projected and coupled with short-term interest rates remaining lower than projected at the time of the 2011/12 budget, has resulted in a reduction in the recharge.

**Levies & Precepts**

The forecast for Month 9 is a break-even position.

**Corporate VFM Projects**

A number of VFM projects relate to council-wide projects which will deliver savings across many, if not all, service areas. The associated savings target is shown under Corporate Budgets and is awaiting allocation to individual service budgets as and when savings are identified and/or confirmed. If all savings are identified and achieved, the Corporate VFM Projects savings target above will reduce to zero by the end of the financial year. At month 9, monitoring of VFM projects indicates that approximately £1.422m of corporately held VFM project savings remains uncertain as follows:

- The implementation of other initiatives including Workstyles, Customer Service changes (mainly on-line developments) and many other service changes (e.g. some emanating from other Value for Money projects) have meant that the capacity to undertake Systems Thinking reviews at the same time has been severely hampered. The reviews are therefore behind schedule and will need to be carefully prioritised on those services that are in a position to take them forward effectively with full commitment. It is now expected that these reviews will be used to 'enable' services to deliver efficiency and other related savings in 2012/13 and 2013/14. For example, a review in Human Resources is currently at the planning stage.
- The achievement of the Management & Administration savings has been underpinned by a Voluntary Severance Scheme (VSS) which is now closed for the purposes of this saving. The outcome of the Scheme, in financial terms, indicates that approximately £1.142m has been achieved, an improvement of £0.182m on Month 7, and £0.608m is uncertain at present. This is broadly in line with expectations as the VSS was not expected to achieve 100% of the savings required (£1.750m in 2011/12). As set out in the Revenue Budget report to Full Council in March 2011, some savings will need to come from 'natural turnover' over the remainder of the financial year and there may also be a need for further redesign in some service areas to accommodate the impact of staff released through the scheme. The main challenge now is to ensure that where people have been released but the post retained in the service structure, these are filled through redeployments across the council wherever possible. Full-year savings in 2012/13 are subject to confirmation and further actions described above but currently stand at circa £2.500m against a revised target of £3.500m.
- Carbon Reduction initiatives will be designed to reduce energy use and therefore reduce future energy cost pressures as prices increase. A scheme to pursue the installation of Solar PV panels was agreed at Cabinet in June 2011, however, the anticipated cash savings may not now be realised due to changes to the Feed-in Tariff regime. Other initiatives are also being pursued but it is unlikely that cashable savings will now accrue in 2011/12 and the focus of the programme is therefore on reducing future energy usage and the council's carbon footprint. This links strongly to the Workstyles project and the reduction in accommodation use associated with that initiative.
- The Procurement project has identified an increased risk resulting partly from a reduction in overall procurement activity in corporate areas due to spending constraints which has reduced potential savings opportunities compared with previous years. £0.236m remains uncertain this year against corporate contract areas, however, additional procurement savings of £0.277m have been facilitated across front-line service areas which are reflected in the improved overall TBM position at Month 9.

### **Risk Provisions**

The overall position on Risk Provisions is an underspend of £1.746m.

There are one-off risk provisions of £0.800m and it is forecast that these will be fully spent. It is anticipated that circa £0.192m of this will be needed for the preparatory works for the Prince Regent and Withdean Sports Complex schemes subject to further planning confidence and the viability of the business cases once all the details are known. The remainder will be required for one-off costs associated with Criminal Records Bureau (CRB) compliance following OFSTED inspection, costs associated with compliance with

Microsoft licence requirements following an audit process, and additional costs associated with the Carbon Reduction Commitment (CRC) scheme implementation.

There is a permanent risk provision of £0.750m relating to grants ending and this will not be required in the current financial year. It is therefore being released to support the overall position.

There is £1.250m of permanent risk provision, of which £0.625m is being released to support the overall position. Of the remainder £0.625m is being used on a one-off basis to offset the shortfall in the Advertising and Sponsorship contract income target (£0.250m) the VfM Phase 3 Stretch target (£0.250m) and VfM Management & Administration savings (£0.125m).

In addition, there is £0.400m of one-off risk provision for children's and adults services which is now not required and will be transferred to general reserves.

An underspend of £0.300m is forecast on the financing costs for the new Historic Records Centre. The budget projections assumed the majority of the capital funding would be needed this financial year and as this expenditure is funded from borrowing the financing costs were set aside in contingency. East Sussex County Council (ESCC) have now provided a cashflow schedule and agreed with Brighton & Hove a payment schedule which gives a far lower capital contribution this year and therefore lower financing costs. The cashflow from ESCC is subject to change but experience shows that expenditure is generally lower than projected.

There is an underspend of £0.071m on general contingency, largely as a result of unneeded grant pressure funding of £0.075m being identified.

**NHS Trust Managed S75 Budgets - Revenue Budget Summary**

Forecast Variance Month 7 £'000	Unit	2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
48	NHS Trust managed S75 Services	14,168	14,031	(137)	-1.0%
48	Total S75	14,168	14,031	(137)	-1.0%

**Explanation of Key Variances**

(Note WTE = Whole Time Equivalent)

**S75 NHS Trust Managed Budget (£0.137m underspend)**

The forecast underspend of £0.067m against Sussex Partnership NHS Foundation Trust, represents an improvement of approximately £0.100m from Month 7. This is largely as a result of a review of all mainstream budget areas and an increase in the level of Continuing Health Care funding. There remains a pressure of £0.296m on the Mental Health Community Care budget, where WTE client numbers are approximately 20 more than budgeted. Savings of £0.362m have also been identified against the mainstream budget from vacancy management and a review of social care input into Access Services.

A financial recovery plan was developed to which has succeeded in reducing the pressure, particularly against long-term placement spend and a project is underway to review the high-cost placements.

Sussex Community NHS Trust are forecasting an underspend of £0.070m, which is an improvement of £0.070m from Month 7. Positive action has been taken to both reduce costs within Intermediate Care and review the projected spend on equipment within the Integrated Community Equipment Store (ICES). The current forecast shows staffing pressures within Intermediate Care service (£0.054m) and pressures on the equipment budget within ICES (net £0.031m pressure) due to increased demand. These have been offset by savings of £0.155m against the HIV budget.

### Housing Revenue Account - Revenue Budget Summary

Forecast Variance Month 7 £'000		2011/12 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
	<b>Housing Revenue Account</b>				
(371)	Employees	9,187	8,724	(463)	-5.0%
(71)	Premises – Repair	11,031	10,723	(308)	-2.8%
49	Premises – Other	3,070	3,115	45	1.5%
(129)	Transport & Supplies	2,022	1,838	(184)	-9.1%
(7)	Support Services	2,210	2,201	(9)	-0.4%
-	Third Party Payments	54	57	3	5.6%
-	Revenue contribution to capital	3,778	3,778	-	0.0%
(123)	Capital Financing Costs	4,268	4,145	(123)	-2.9%
14	Subsidy Payable	14,710	14,724	14	0.1%
(638)	Net Expenditure	50,330	49,305	(1,025)	-2.0%
(9)	Dwelling Rents (net)	(44,213)	(44,176)	37	0.1%
35	Other rent	(1,240)	(1,205)	35	2.8%
47	Service Charges	(3,354)	(3,302)	52	1.6%
(19)	Supporting People	(465)	(484)	(19)	-4.1%
24	Other recharges & interest	(1,058)	(1,027)	31	2.9%
78	Net Income	(50,330)	(50,194)	136	0.3%
<b>(560)</b>	<b>Total</b>	<b>-</b>	<b>(889)</b>	<b>(889)</b>	

### Explanation of Key Variances

The forecast outturn for 2011/12 is an underspend of £0.889m, compared to a forecast underspend of £0.560m at Month 7. The commissioning framework for the Housing Revenue Account aims to reduce costs to enable reinvestment in services which tackle inequality and improve homes and neighbourhoods. Further analysis of the forecast outturn variances are as follows:

- The employees budget is forecast to underspend by £0.463m compared to an underspend of £0.371m at month 7. This is mainly due to underspends on vacancies and pensions costs throughout housing management due the pending restructure of Housing and Social Inclusion together with TUPE costs no longer required. The budget for TUPE costs (£0.227m) for Property & Investment staff is no longer required as the final costs were less than originally forecast and fully paid in the last financial year.
- The Premises Repairs forecast is an underspend of £0.308m compared to a month 7 forecast underspend of £0.071m. The underspend includes the following significant variances:

- A projected saving on the gas servicing and maintenance contract of £0.216m from the rebasing of the open book contract value following the achievement of savings during the last financial year.
- A reduction in the overhead costs for the Repairs Partnership contract of £0.059m resulting from efficiencies in the contract.
- A reduction in the costs of repairs to empty properties by £0.200m due to a reduction in the number of empty properties coming through the lettings cycle.
- A projected overspend on responsive repairs of £0.123m which is now mainly due to works that were undertaken in last financial year but have been charged to this financial year. The forecast has reduced since month 7 by £0.127m due to a reduction in the average unit cost of repairs and the continued good weather.
- The Premises-other budget is forecast to overspend by £0.045m compared to an overspend of £0.049m at month 7. This variance relates to the following:
  - A recent review by the Council's insurance team has identified a £0.329m recharge to the HRA in relation to the costs of repairing homes damaged by fire, flood etc. below the insurance excess of £25,000. In recent years the number of cases of damage to dwellings has increased which has prompted the Council's insurance team to review how they charge the HRA. This recharge relates to costs borne over the last three years which were in excess of the budget. Provision (estimated at £0.120m) will be made for the additional on-going costs in the 2012/13 budget strategy.
  - A forecast underspend of £0.175m in relation to the accruals for gas and electricity. Prudent accruals were made in the last financial year which are no longer required under the new contractual arrangements.
  - A further underspend of £0.074m is forecast on the rental cost and business rates of the Housing Centre due to it opening later than anticipated at budget setting time.
- Transport & Supplies is forecast to underspend by £0.184m compared to a forecast underspend of £0.129m at month 7. This variance relates to a reduction in the requirement for the provision for bad debt (£0.100m) resulting from the improvement in the collection of rent which has led to a reduction in the rent arrears total. There is also an underspend on professional and consultancy fees anticipated for the procurement of the new service contracts as the work has been carried out in-house.

- Capital Financing forecast costs have reduced by £0.123m due to reduced forecasts for repayment of debt compared to the original budget. The reduced interest rates also reduce the amount of subsidy allowance for capital finance costs resulting in an increased subsidy payable to the Government of £0.014m.
- Income is forecast to be less than budgeted by £0.136m due to a number of minor variances including:
  - Reduced rental income from garages and car parks (£0.035m) due to an increase in the level of empty garages/spaces in the current economic downturn.
  - charges from leaseholders (£0.031m) being lower than expected at budget setting time.





## SUMMARY CAPITAL OUTTURN POSITION AS AT MONTH 9

	2011/12 Approved Budget £'000	2011/12 Reported to Other Cabinets £'000	2011/12 New Schemes £'000	2011/12 Variations £'000	2011/12 Slippage £'000	2011/12 Budget £'000	2011/12 Outturn £'000	2011/12 Over / Underspend
People	30,677	0	40	(2,929)	0	27,788	27,788	0
Place	47,058	0	675	(1,221)	(244)	46,268	45,134	(1,134)
Communities	3,332	0	0	259	(234)	3,357	3,667	310
Resources & Finance	8,830	0	0	(3,203)	(325)	5,302	5,152	(150)
<b>Total Capital</b>	<b>89,897</b>	<b>0</b>	<b>715</b>	<b>(7,094)</b>	<b>(803)</b>	<b>82,715</b>	<b>81,741</b>	<b>(974)</b>



## Appendix 3

### Value for Money Programme: Benefits Realisation as at Month 9

Projects	Target £m	Achieved £m	Anticipated £m	Uncertain £m
<b>VFM Phase 2 Projects</b>				
Adult Social Care	1.801	0.729	0.822	0.250
Children's Services	2.019	2.019	0.000	0.000
ICT	0.218	0.140	0.000	0.078
Procurement	0.789	0.524	0.029	0.236
Fleet Management	0.150	0.150	0.000	0.000
Sustainable Transport	0.115	0.115	0.000	0.000
Outdoor Events	0.060	0.010	0.025	0.025
Workstyles	0.100	0.100	0.000	0.000
<b>Total VFM Phase 2</b>	<b>5.252</b>	<b>3.787</b>	<b>0.876</b>	<b>0.589</b>
<b>VFM Phase 3 Projects</b>				
	<b>Target £m</b>	<b>Achieved £m</b>	<b>Anticipated £m</b>	<b>Uncertain £m</b>
Process Efficiencies	0.250	0.000	0.000	0.250
Management Structures	1.150	0.794	0.000	0.356
Admin & Business Support	0.600	0.349	0.000	0.251
Consolidation of Spend	0.250	0.250	0.000	0.000
Carbon Reduction Initiatives	0.250	0.000	0.000	0.250
<b>Total VFM Phase 3</b>	<b>2.500</b>	<b>1.392</b>	<b>0.000</b>	<b>1.108</b>
<b>Total All VFM Projects</b>	<b>7.752</b>	<b>5.179</b>	<b>0.876</b>	<b>1.697</b>



<b>Subject:</b>	<b>Review of the Effectiveness of the Audit Committee</b>		
<b>Date of Meeting:</b>	<b>21<sup>st</sup> February</b>		
<b>Report of:</b>	<b>Director of Finance</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Catherine Vaughan Ian Withers</b>	<b>Tel: 29-1333 29- 1323</b>
	<b>Email:</b>	<b><a href="mailto:Catherine.vaughan@brighton-hove.gov.uk">Catherine.vaughan@brighton-hove.gov.uk</a> <a href="mailto:ian.withers@brighton-hove.gov.uk">ian.withers@brighton-hove.gov.uk</a></b>	
<b>Ward(s) affected:</b>	<b>All</b>		

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

1.1 Strong and effective governance arrangements contribute to the achievement of the council's priorities and the Audit Committee has a key role to play in this.

1.1 Best practice now suggests that there should be a regular review of the effectiveness of the Audit Committee. This report is the final stage in conducting that review and follows a report to this committee in December and a workshop with representatives from each political group in January. Some of the issues identified fall within the direct remit of the Audit Committee to action. Others have been fed into the wider review of the Council's Constitution and will be a matter for decision by Full Council.

**2. RECOMMENDATIONS:**

2.1 That the Audit Committee notes the findings against "The Audit Committee Self-Assessment Checklist".

2.2 That the recommended actions set out in Appendix 1 be agreed.

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

3.1 There is no statutory obligation for a local authority to establish an audit committee. However there is a wide range of guidance and best practice which shapes and informs the operation of this committee including the Combined Code on Corporate Governance (2003), the Good Governance Standard for Public Services (2004) and the Accounts and Audit Regulations 2011.

- 3.2 CIPFA (The Chartered Institute of Public Finance & Accountancy) produced guidance and a Toolkit for Local Authority Audit Committees in 2006. The toolkit states:

*“Good corporate governance requires independent, effective assurance about both the adequacy of corporate, operational and financial management and reporting, and the management of other processes required to achieve the organisation’s corporate and service objectives. Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. CIPFA believes that these functions are best delivered by an audit committee separate from executive functions.”*

- 3.3 A formal review of the effectiveness of the audit committee has not previously been undertaken. However when the Audit Committee was established, replacing the previous Audit Panel in 2008, best practice at the time was taken into account. It is timely therefore to undertake this review, particularly in the context of the consideration being given to the council’s overall constitution in the light of the power given to local authorities under the Localism Act 2011 to adopt a committee system of governance.
- 3.4 The National Audit Office (NAO) produced The Audit Committee Self-Assessment Checklist in 2009 (“The Checklist). It was designed to help Audit Committees in central government assess how well they apply good practice. While this document is not specific to local government and indeed needs some contextualising to make it relevant to our circumstances it is a more recent publication than the CIPFA equivalent toolkit. It also has a style that is particularly suited to self-assessment, workshop style discussion, and continuous improvement. This checklist has therefore been core to the undertaking of the Review of Effectiveness of the Audit Committee. A range of other relevant information was supplied to members attending the workshop in January. The Head of Law also attended part of this session to help members understand some of the key constitutional issues and also to receive feedback.
- 3.5 The recommended actions arising following the initial assessment and the member workshop are set out in Appendix 1.

#### **4. COMMUNITY ENGAGEMENT AND CONSULTATION**

- 4.1 A workshop for Audit Committee members was held on 17<sup>th</sup> January 2012.

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

##### Financial Implications:

- 5.1 There are no direct financial implications arising from the recommendations. The Audit Committee supports the Council to maintain financial integrity through its assurance role. Adopting the recommended actions following the self assessment gives assurance that good practice is being applied.

Legal Implications:

- 5.2 Proposals for a new system of council governance are due for consideration by Full Council on 26 April 2012. These proposals include a combined Audit & Standards Committee; the proposed terms of reference and membership for this Committee are also subject to Full Council approval.

Should these proposals be approved, the new Audit & Standards Committee would come into effect from Annual Council 2012. The recommendations at Appendix 1 of this report should be considered in light of these planned changes.

Lawyer Consulted: Oliver Dixon

Date: 13/02/12

Equalities Implications:

- 5.3 No direct equalities implications.

Sustainability Implications:

- 5.4 No direct sustainability implications.

Crime & Disorder Implications:

- 5.5 No direct crime and disorder implications.

Risk and Opportunity Management Implications:

- 5.6 An effective audit committee will ensure that the council has adequate arrangements for risk and opportunity management.

Public Health Implications:

- 5.7 No direct crime and disorder implications.

Corporate / Citywide Implications:

- 5.8 An effective audit committee is an essential part of good corporate governance.

**6. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

- 6.1 There are a range of tools that could be used to evaluate the effectiveness of the Audit Committee.

**7. REASONS FOR REPORT RECOMMENDATIONS**

- 7.1 To ensure that there is an effective audit committee contributing to the effective governance of the council.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Appendix 1 – Findings against the NAO “Audit Committee Self Assessment Checklist”
2. Appendix 2 – Proposed revisions to the Audit Committee Terms of Reference

### **Background Documents**

1. NAO The Audit Committee Self-Assessment Checklist 2009
2. Audit Committees Practical Guidance for Local Authorities (CIPFA) 2006
3. A Toolkit for Local Authority Audit Committees (CIPFA) 2006
4. Government Response to the future of Local Audit Consultation 2012



## Appendix 1 – Findings against the NAO “Audit Committee Self-Assessment Checklist”

Good Practice Principle	Description*	Conclusion	Recommended actions
1. The Role of the Audit Committee	<p>The Audit Committee should support the Council and the Chief Finance Officer by reviewing the comprehensiveness of assurances in meeting the Council's assurance needs and reviewing the reliability and integrity of these assurances</p>	<p>Complies with <b>most</b> of the suggested good practice</p>	<p>The Audit Committee should formally review its effectiveness on an annual basis. That review should include consideration of whether its terms of reference need to be updated. Revised terms of reference have been written as part of this review and fed into the constitutional review process</p>
2. Membership, Understanding, Independence, Objectivity and Understanding	<p>The Audit Committee should be independent and objective, in addition, each member should have a good understanding of the objectives and priorities of the organisation and of their role as an Audit Committee member</p>	<p>Complies with <b>some</b> of the suggested good practice</p>	<p>That the review of the constitution should give due consideration to the optimal size of the Audit Committee being 8-12 members. That Group Leaders have regard to ensuring that duplication between Executive responsibilities and Audit Committee membership be minimised.</p>

Good Practice Principle	Description*	Conclusion	Recommended actions
3. Skills	The Audit Committee should collectively possess an appropriate skills mix to perform its functions well	Complies with <b>some</b> of the suggested good practice	<p>That the review of the constitution give consideration to the composition of the Audit Committee including 1-2 independent appointments to bring additional financial skills.</p> <p>There should be two mandatory training sessions per year for all Audit Committee members to fit with the timetable for approval of the Annual Governance Statement and the Statement of Accounts to ensure that all members properly understand the role. Further awareness training and technical updates will be provided as part of a rolling programme in the committee meetings. Relevant CIPFA briefings on emerging issues will be circulated.</p> <p>None identified</p>
4. Scope of work	The scope of the Audit Committee's work should be defined in its Terms of Reference and encompass all the assurance needs of the Council	Complies with <b>all</b> of the suggested good practice	

Good Practice Principle	Description*	Conclusion	Recommended actions
	and Chief Finance Officer. Within this, the Audit Committee should have particular engagement with the work of Internal Audit, the work of the External Auditor, and Financial Reporting issues.		
5. Communication	The Audit Committee should ensure it has effective communication with the Council, the Head of Internal Audit, the External Auditor and other stakeholders.	Complies with <b>most</b> of the suggested good practice	Consideration was given to the Annual Report of the Audit Committee to Full Council be assurances based rather than activities based but it was felt that this duplicated the work of the Annual Governance Statement. No further action required.
The Role of the Chair	The Chair of the Audit Committee has particular responsibility for ensuring that the work of the Audit Committee is effective that the Committee is appropriately resourced, and that it is maintaining effective communication with stakeholders	Complies with <b>most</b> of the suggested good practice	None identified
Committee support	The Audit Committee should be provided with appropriate administrative support to enable	Complies with <b>all</b> of the suggested good practice (note	None identified

<b>Good Practice Principle</b>	<b>Description*</b>	<b>Conclusion</b>	<b>Recommended actions</b>
	it to be effective. This is more than a minute-taking function – it involves providing proactive support for the work of the Committee, and helping its members to be effective in their role.	provided both by Democratic Services and directly by the Head of Audit & Business Risk)	

\* terminology adjusted for local government where appropriate

<b>Subject:</b>	<b>2011/12 Progress Report and Briefing</b>		
<b>Date of Meeting:</b>	<b>21 February 2012</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 2011/12 external audit progress report and briefing.

**2. RECOMMENDATIONS:**

- 2.1 To receive the 2011/12 external audit progress report and briefing and note the progress made.

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

- 3.1 This regular progress report for the 2011/12 audit is intended to provide the Committee 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**

**February 2012**

**Brighton and Hove City Council**

**Audit 2011/12**

**The Audit Commission is a public corporation set up in 1983 to protect the public purse.**

**The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.**

**We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.**



# Contents

<b>Audit progress .....</b>	<b>2</b>
Introduction .....	2
2010/11 audit .....	2
2011/12 audit .....	2
Other matters .....	5
<b>Audit Commission publications .....</b>	<b>7</b>
Auditing the Accounts 2010/11 .....	7
Managing Workforce Costs .....	8
Joining up health and social care .....	9
CIPFA's Prudential Code for Capital Finance .....	10
<b>Contacts .....</b>	<b>11</b>

# 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.

## 2010/11 audit

3 My work on the 2010/11 audit is now complete. I formally concluded the audit and issued the certificate on 28 September 2011. I am presenting the final report from my 2010/11 programme of work, my annual report on the certification of claims and returns, to this February meeting of the Audit Committee.

## 2011/12 audit

### Financial statements

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

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Table 1: **Audit time line**

Work flow	Date of completion	Reports/Progress
Documentation and walkthrough of key financial systems	January 2012	Complete. I will report weaknesses in internal control as part of my 2011/12 opinion audit plan to the April meeting of the Audit Committee.  Any recommendations for the improvement of internal control will be made in my 2011/12 annual governance report.

---

Work flow	Date of completion	Reports/Progress
<p>Audit Commission controls testing. Review of Internal Audit controls testing.</p>	<p>April 2012</p>	<p>I have liaised with Internal Audit to plan my detailed testing of controls in your key financial systems. Work is now being undertaken by Internal Audit which I intend to rely on.</p> <p>I will draw control weaknesses to your attention in my 2011/12 audit opinion plan which I will present to the April 2012 meeting of the Audit Committee.</p> <p>Any recommendations for the improvement of internal control will be made in my 2011/12 annual governance report.</p>
<p>Post statement audit and financial statements opinion.</p>	<p>By 30 September 2012</p>	<p>As in 2010/11, 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 2012. This approach in general worked well last year and has benefits both for officers and my team.</p> <p>The main delay in delivering my post-statement audit last year was caused by difficulties in testing detailed transactions produced by your payroll system. I reported in my last update that I planned to undertake this work early in the audit cycle and before you have produced your 2011/12 financial statements. This work is now underway. I will continue to keep you updated on progress.</p>

Work flow	Date of completion	Reports/Progress
		The results of my work on the 2011/12 financial statements will be reported in my annual governance report which I will present to the September 2012 Audit Committee meeting.
Value for money (VFM) work.	By 30 September 2012	I will report the results of my detailed work to inform the 2011/12 VFM conclusion in my 2011/12 annual governance report. The statutory deadline for the 2010/11 VFM conclusion is 30 September 2012. My aim is to complete this work ahead of that deadline and present key findings and recommendations to management and the Audit Committee.

### VFM conclusion

**5** 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 conclusion.

**6** From 2010/11, the Commission introduced new requirements for VFM audit work at local authorities. Auditors 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 2011/12	
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.

7 I am planning my approach to my work to inform the 2011/12 VFM conclusion and will discuss the precise nature of my work in this area with officers.

## Other matters

### Outsourcing of audit work

8 The Audit Commission's Chief Executive, Eugene Sullivan, wrote to clients on 21 September 2011 summarising the Department for Communities and Local Government's plans for externalising the Audit Commission's work that is currently undertaken by the Audit Practice. An update on progress was provided in Eugene's subsequent letter of 10 November 2011.

9 The key points are as follows.

- Contracts will be let from 2012/13 on a three or five-year basis. The earliest you will be able to appoint your own auditors is therefore for the 2015/16 audit.
- The work is split into four regions, comprising ten 'lots'. Each lot will be awarded separately, but any individual bidder can only win a maximum of one lot in each region (ie four lots in total).
- The Commission is managing a fair and equitable procurement process to allow suitable private sector providers the opportunity to compete for the contracts.
- Thirteen potential providers were invited to tender following the initial pre-qualification stage. The deadline for return of the tenders was 16 December 2011 and 13 accountancy firms have been accepted as bidders for the work. Tenders received are currently being evaluated. The Commission plans to publish the results of the outsourcing exercise at noon on March 6 and issue a news release to the media. I will inform

you of the winning bidder for the contract containing the Council's audit as soon as I am able to do so after that.

- The Commission published, in January 2012, the consultation process to be followed for individual audit appointments. For bodies currently audited by the Audit Practice, there will be an opportunity to attend an introductory event in each contract area with the Commission and the firm awarded the contract. The events will take place in May 2012.
  - Appointments will start on 1 September 2012. As such, the Commission is extending the current audit appointment to allow any audit issues arising between 1 April 2012 and 31 August 2012 to be dealt with. The Commission's Director of Audit Policy and Regulation wrote to clients on 19 December 2011 setting out more details on this 'interim' appointment.
  - Audit Practice staff in each lot area will transfer to the successful bidders on 31 October 2012.
- 10** Against this background, the Audit Practice's focus remains.
- Fulfilling our remaining responsibilities, delivering your 2011/12 audit, to the high standards you expect and deserve.
  - Managing a smooth transition from the Audit Practice to your new audit provider.

### **2012/13 work programme and audit fees**

**11** Consultation on the proposed work programme and audit fees started on 5 September 2011 and ended on 24 October 2011. In line with the Commission's aim to reduce its costs by £70 million (30 per cent) over a three-year period, the 2011/12 scale fees will be reduced by 10 per cent for principal bodies. Publication of the final programme and fees will be in April 2012.

# Audit Commission publications

## Auditing the Accounts 2010/11

**12** In December 2011 the Audit Commission published a report - Auditing the Accounts 2010/11 - which summarises its findings of the accounts audits in 2010/11. A copy of the full report can be found at <http://www.audit-commission.gov.uk/audit-regime/support-guidance/auditing-the-accounts/Pages/auditing-the-accounts-1011.aspx>.

**13** The report covers the quality and timeliness of financial reporting by councils, police authorities, fire and rescue authorities and other local public bodies. In addition to auditors' work on the 2010/11 financial statements, the report also covers:

- the results of the first year of International Financial Reporting Standards (IFRS) implementation;
- auditors' work on the Whole of Government Accounts returns;
- auditors' local value for money work;
- public interest reports and statutory recommendations issued by auditors since December 2010; and
- the key challenges facing bodies for 2011/12.

**14** Auditors were able to give opinions on the accounts by the target date of 30 September 2011 at most organisations and this performance compares well with the previous year.

**15** However, the challenges presented by the transition to IFRS are demonstrated by an increase in the number of bodies, from seven last year to eighteen this year, where the auditor's opinion was still outstanding after 31 October. There was also a significant increase in the number of bodies needing to make material adjustments to their accounts following the audit.

**16** On 18 January 2012, the Audit Commission published 'Let's be clear: Making local authority IFRS accounts more accessible and understandable'.

**17** This briefing supplements the report on the 2010/11 accounts referred to above and focuses on a long-running debate of how to make local government accounts easier to understand. A full copy of the briefing can be found at <http://www.audit-commission.gov.uk/audit-regime/support-guidance/Pages/ifrs.aspx>.

**18** While the statutory accounts give comprehensive information on each local authority's financial position and performance, reflecting the range of activities which they cover, they are a poor way of communicating the key information to lay readers.

**19** The briefing notes that:

- elected members and local people would benefit from having access to well-presented extracts from the accounts, which would provide the key information on each authority's financial position and performance;
- the accounting profession and the Audit Commission could do more to encourage auditors and preparers of accounts to reduce clutter in statutory accounts; and
- each authority could do more to ensure their accounts are shorter and more accessible. Those preparing accounts need to look critically at the previous year's accounts. They should identify how these accounts could be sharper and more focused before starting work on the next set.

**20** The briefing concludes by identifying possible steps to make local authority accounts more accessible and easier to understand, and the implications of doing so.

**21** The Audit Commission is seeking views on the issues raised within the briefing and has invited comments by 16 March 2012. Further information on this is available on the Audit Commission's website.

## Managing Workforce Costs

**22** The Audit Commission and Local Government Association have jointly launched 'Work in progress: Meeting local needs with lower workforce costs'.

**23** The joint report (which can be found on the Audit Commission's website at <http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/WorkinProgress.aspx>) is aimed at councils as employers and shows how local authorities across England are reducing their workforce costs, with some finding creative solutions.

**24** As government funding for councils shrinks by over a quarter between 2011/12 and 2014/15, councils need to reduce their workforce costs substantially while still providing much needed services. Not all councils face the same financial challenges, but the message is that all must reassess what they do, how they do it, and what their priorities are. Those opting for major restructuring will take more time to realise savings.

**25** Councils are finding ways to cut their pay bills without losing jobs, but the report says that redundancies are inevitable. Local government was already reducing posts before the cuts in government funding. In the past year an estimated 145,000 jobs have gone and this figure will increase in the future. So far many redundancies have been voluntary, but the report warns that compulsory ones are set to rise.

**26** The report is supported by a number of resources including:

- an agency workers expenditure tool which shows councils how much they spend on agency workers, compared with groups of similar councils;



- a workforce expenditure tool which shows councils how much they spend on staff as a proportion of their net current expenditure, and how this has changed over time;
- five case studies which provide examples of the different approaches councils are taking to reduce the costs of employing people while protecting valuable services. The case studies show what the councils did and why - and the benefits achieved; and
- a practical guide on how to undertake effective pay benchmarking, providing a series of steps to follow when starting a pay benchmarking process and highlighting the main issues that should be considered.

**27** The report is supplemented with a briefing for elected members that includes a number of questions designed to help members assess how well their council decides the size, shape and cost of its workforce and how these decisions will affect services and communities.

**28** The questions are in two parts.

- The information that should be available to members about the workforce.
- The savings strategies councils could follow in the light of that information.

## Joining up health and social care

**29** On 1 December 2011 the Audit Commission published the second in a series of briefings looking at adult social care.

**30** 'Joining Up Health and Social Care - Improving Value for Money Across the Interface' shows significant variations in indicators such as the levels of emergency admissions to hospital. This raises questions about how well services are being integrated to meet the preferences of older people. Despite the focus for many years on improving joint working across the NHS and social care, progress remains patchy. A copy of the full report can be found at <http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/joininguphealthandsocialcare.aspx>.

**31** At a time when the whole of the public sector must find significant savings, the report says that integrated working offers opportunities for efficiencies and improvements to services. Without it, there is a risk of duplication and 'cost-shunting' - where savings made by one organisation or sector simply create costs for others.

**32** The briefing offers guidance to local partnerships, setting out a list of questions to consider and suggestions for interventions that might help. The briefing also includes a number of case studies which show how some areas have embraced partnership working and used local data and benchmarking to establish how and where to make improvements.

**33** The Audit Commission has developed a tool to accompany the briefing that allows NHS and social care partnerships to benchmark their performance against others.

## CIPFA's Prudential Code for Capital Finance

**34** CIPFA has recently updated its Prudential Code for Capital Finance in Local Authorities. This new version reflects the introduction of IFRS which required.

- PFI schemes to be included on organisations' balance sheets.
- The accounting treatment of leases to be reviewed – with many more likely to be considered as finance leases and thus also included on the relevant balance sheets.

**35** The code also includes guidance on the treasury management implications of the housing self-financing reforms.

**36** Although local authorities determine their own capital programmes, they are required to have regard to CIPFA's Prudential Code (the Code) in order to ensure that these capital investment plans are affordable, prudent and sustainable.

**37** To demonstrate that these objectives have been met, the Code sets out the indicators that must be used and the factors that must be taken into account.

**38** The Code does not include suggested indicative limits or ratios and these are for the local authority to set itself, subject to some overriding controls.

**39** The prudential indicators required by the Code should be considered alongside its Treasury Management performance indicators. These indicators are both are designed to support and record local decision making and are not designed to be comparative performance indicators.

# Contacts

40 The key members of the audit team for the 2011/12 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>

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



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January 2012

<b>Subject:</b>	<b>2010/11 Certification of Claims and Returns – Annual Report</b>		
<b>Date of Meeting:</b>	<b>21 February 2012</b>		
<b>Report of:</b>	<b>Audit Commission</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Simon Mathers</b>	<b>Tel:</b> 0844 798 1776
	<b>E-mail:</b>	<a href="mailto:s-mathers@audit-commission.gov.uk">s-mathers@audit-commission.gov.uk</a>	
<b>Wards Affected:</b>	All		

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

- 1.1 We would like the committee to review the 2010/11 annual report on the certification of claims and returns.

**2. RECOMMENDATIONS:**

- 2.1 To note the 2010/11 annual report on the certification of claims and returns.

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

- 3.1 You receive more than £300 million in funding from various grant paying departments. The grant payment departments attach conditions to many of these grants. You must show that these conditions have been met. If you cannot evidence this, the funding can be at risk. It is therefore important that you have sound arrangements in this area to avoid funding being lost.
- 3.2 Our work to certify claims and returns during 2010/11 showed that you have adequate arrangements for preparing and managing grant claims. However, there has been some deterioration in your arrangements compared with last year. In particular you produced no or inadequate working papers to support entries in two of the eight claims and returns which were subject to audit. I have raised two recommendations for improvement which have been fully agreed by officers.



# Certification of claims and returns - annual report

Brighton and Hove City Council

Audit 2010/11



# Contents

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Introduction.....	3
Summary of my 2010/11 certification work.....	4
Results of 2010/11 certification work.....	5
Summary of recommendations.....	8
Summary of certification fees .....	9



# Introduction

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**Local authorities claim large sums of public money in grants and subsidies from government departments and other grant-paying bodies and must complete returns providing financial information to governments and departments. My certification work provides assurance to government departments and grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.**

Under section 28 of the Audit Commission Act 1998, the Commission may, at the request of authorities, arrange to certify claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, the Commission issues certification instructions to auditors setting out the work auditors must complete before they give their certificate. The work varies according to the value of the claim or return and the requirements of the grant-paying body. Broadly for claims and returns:

- for claims below £125,000 I carry out no work;
- for claims between £125,000 and £500,000 I undertake limited tests to agree form entries to underlying records; and
- for claims and returns over £500,000, I plan and perform my work under the certification instruction. I assess the control environment for preparing the claim or return and decide whether to place reliance on it. Depending on the outcome, I test to agree entries to underlying records and eligibility.

I may amend claims and returns where I agree with your officers that this is necessary. My certificate may refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions.

# Summary of my 2010/11 certification work

## Overall you have adequate arrangements to prepare claims and returns.

I certified eight claims and returns in 2010/11 under the Commission's certification arrangements. My team carried out a limited review of one claim and a full review of seven claims. Although adequate overall, there has been some deterioration in your arrangements to prepare claims and returns compared with last year. In particular you produced no or inadequate working papers to support entries in two of the eight claims and returns. Last year I raised one recommendation to improve the working papers supporting the Teachers' Pensions return. This year I found no improvement in the quality of working papers supporting the return which was subject to an extensive audit qualification.



I certified one claim outside the Commission's certification arrangements at your request and the request of the grant paying body, UK Sport. The value of claim expenditure certified was about £441,000 and I charged £2,800 for my work. You had satisfactory support for the claim and I certified it without amendment or qualification.

Table 1: **Summary of 2010/11 certification work**

<b>Number of claims and returns certified</b>	
Total value of claims and returns certified (excludes housing revenue account subsidy base data return that has no total monetary value and the one claim certified outside the Commission's certification arrangements)	£303.9 million
Number of claims and returns amended because of errors	2
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	3
Total cost of certification work	£52,845

# Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues.

I set out details of the claims I audited under the Commission's certification arrangements in table 2 below.

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification	Reliance on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit scheme	£180,329,000	No. The approach to this claim is mandated and is not based on a local assessment of risk.	Nil	Yes
National non-domestic rates return	£92,452,000	Yes	Nil	No
Teachers' pensions	£13,647,000	No	-£5,483	Yes
Sure Start	£12,181,000	No	Nil	No

Claim or return	Value of claim or return presented for certification	Reliance on the control environment?	Value of any amendments made	Was a qualification letter issued?
Pooling of housing capital receipts	£1,207,000	No	Amendment made had no financial impact	No
Disabled facilities	£660,000	No	Nil	No
Housing Revenue Account (HRA) subsidy	-£3,375,000	No	Nil	No
HRA subsidy base data return	Not applicable	No	Nil	Yes

I set out more detailed findings below where I noted weaknesses in your arrangements for to produce specific claims and returns. Detailed recommendations to address the weaknesses are set out in the summary of recommendations.

#### Teachers' pensions return

The Department of Work and Pensions (DWP) requires me to certify the return for the teachers' pension scheme, which works separately from the Local Government Pension Scheme. Councils must complete a return setting out what they have collected under the scheme and how much they need to pay over to the government. Entries on the return are therefore based on the output from the payroll system.

In both 2008/09 and 2009/10 I reported to you there were delays in getting information to support the claim presented for audit and that audit queries took considerable time to resolve. In 2009/10 I recommended that you produce detailed working papers to support all cells in the return. I also recommended that working papers should allow selection of samples for detailed audit testing, and that you should respond to all audit queries arising promptly.

Although you introduced a new Council payroll system during the period which made production of the return more complex I have concluded the control environment for the claim has worsened and that you have not addressed my recommendation. Specifically:

- you produced insufficient or inadequate working papers to support claim entries. Significant manual adjustments were made to payroll system output to produce the claim. You produced no working papers to support the manual adjustments made and despite undertaking extra work I was not able to conclude the manual adjustments were fairly stated;

- my detailed testing of claim entries identified an error in one out of a sample of ten teachers' employer's contributions. Following this, payroll officers undertook more work to identify any further errors. This work identified 22 more cases where employer's contributions were misstated. I reviewed the additional work undertaken but was unable to conclude that all errors in both employer's and teachers' contributions disclosed on the return had been fully identified; and
- I made a small number of other amendments to the return.

Overall I was unable to conclude the return was fairly stated as a whole because of the volume of issues identified by my work and the resulting level of remaining uncertainty.

### **Housing and council tax benefits subsidy claim**

Councils run the government's housing and council tax benefits scheme for tenants and council taxpayers. Councils responsible for the scheme claim subsidies from the DWP towards the cost of benefits.

Although arrangements to produce the claim remain sound I identified small number of errors in rent rebate expenditure and benefit granted, and council tax benefit expenditure and benefit granted disclosed on the claim. In line with the approach to the claim specified by DWP I asked your officers to undertake more testing of the cells on the claim affected by the errors. This was done to estimate the percentage error rate for each affected cells. I used the error rate to calculate the gross value of errors in the claim which I estimated to be £148,977. I concluded the errors detected as part of my work were confined to cases that were dealt with by your rent rebate team. I made no amendments to the claim based on this but I reported my findings to the DWP in a qualification letter.

### **HRA subsidy base data return**

Communities and Local Government (CLG) pays housing revenue account subsidy (HRAS) in line with determinations made under section 80 of the Local Government and Housing Act 1989. This is to meet any shortfall between expenditure and income on the authority's notional HRA.

I was unable to support two entries on the return as you had not taken supporting evidence from your housing rents system at the time the claim was produced and it is not possible to extract historical data from the system retrospectively.

# Summary of recommendations

This section highlights the recommendations from my work and the actions agreed.

Table 3: Summary of recommendations arising from 2010/11 work

Recommendation	Priority	Agreed action	Date for implementation	Responsible officer
Support all disclosures in claims and returns submitted for audit with adequate working papers. Working papers should agree to the claim or return and contain enough detail to allow samples to be selected for detailed audit testing. The working papers should be produced at the same time the claim or return is completed.	H	Agreed. All working papers will agree to the relevant claim total and will be produced at the time of submitting the claim for audit. Working papers will contain either copies of information from source systems or clear references to source system data to enable effective audit testing.	With immediate effect.	Nigel Manvell, Head of Financial Services.
Ensure that evidence from financial systems and other sources is obtained to support the financial year or project covered by the claim or return. Such evidence should be part of working papers supporting the claim or return.	H	Agreed. Evidence to support claims and returns will be taken from the general ledger and other financial systems and sources as relevant.	With immediate effect.	Nigel Manvell, Head of Financial Services.



# Summary of certification fees

This section summarises the fees for my 2010/11 certification work and highlights the reasons for any significant changes from 2009/10.

Table 4: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	£30,940	£31,335	N/A
Pooling of housing capital receipts	£1,342	£1,188	Some additional sample based testing of qualifying receipts was required in 2010/11.
HRA subsidy	£2,892	£1,963	Some additional sample based testing was required in 2010/11.
Housing finance base data return	£5,862	£2,470	The claim was treated as higher risk in 2010/11 as the return is used to inform debt allocation as part of the introduction of HRA Self-Financing from 2012/13. This led to more detailed testing using higher sample sizes. There were also some weaknesses in your arrangements to produce this claim compared to last year which are set out in more detail in this report.
National non-domestic rates return	£1,480	£5,857	The claim was treated as lower risk in 2010/11 when no detailed sample testing was undertaken to support the claim audit.

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Teachers' pensions return	£5,126	£4,995	N/A
Sure start	£3,044	£2,578	There was some deterioration in the working papers produced to support the claim compared to last year.
Disabled facilities	£1,659	£2,723	The value of claim expenditure reduced compared to last year and the audit was undertaken more efficiently.
Reporting and coastal protection scheme audited in 2009/10 but not in 2010/11	£500	£2,386	N/A – not a like for like comparison.
<b>Total</b>	<b>£52,845</b>	<b>£55,495</b>	



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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.



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January 2012



**Subject:** Internal Audit Progress Report 2011/12  
**Date of Meeting:** 21<sup>st</sup> February 2012  
**Report of:** Director of Finance  
**Contact Officer:** Name: Ian Withers, Head of Audit & Tel: 29-1323  
Business Risk  
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 This report summarises the progress made against the Internal Audit Plan 2011/12, including outcomes of specific audit reviews completed, agreed management actions and Internal Audit Key Performance Indicators.
- 1.2 The Audit Committee has a role in monitoring the activity and outcomes of internal audit work against the plan and receiving regular progress reports. Also to monitor the implementation of agreed actions to internal audit recommendations for improvement to controls and operations.
- 1.3 Good progress continues to be made in the delivery of the Internal Audit Plan 2011/12, due by the end of March 2012.

#### 2. Recommendations

- 2.1 That members note the progress made in delivering the Annual Internal Audit Plan 2011/12, outcomes achieved and current arrangements going forward to 31<sup>st</sup> March 2012.

#### 3. Background Information

- 3.1 The Accounts and Audit Regulations 2011 require every local authority to maintain an adequate and effective system of internal audit. Audit & Business Risk carries out the internal audit work to satisfy this legislative requirement and part of this is reporting the outcome of its work to the Audit Committee.
- 3.2 The Audit Committee has a responsibility for reviewing the council's corporate governance arrangements, including internal control and formally approving the Annual Governance Statement. The internal audit work carried out by Audit & Business Risk is a key source of assurance that the internal control environment is operating effectively.

- 3.3 The Internal Audit Plan 2011/12 detailing the programme of audit reviews was approved by the Audit Committee at its meeting in April 2011.
- 3.4 The programme of audit reviews contained in the Internal Audit Plan 2011/12 is based on an assessment of risk for each system or operational area. The assessment of risk includes elements such as the level of corporate importance, materiality, service delivery/importance and sensitivity.
- 3.4 The outcome of all audit work is discussed and agreed with the lead service managers. The final reports that include agreed actions to audit recommendations made, are issued to the responsible Head of Service, Lead Commissioner or Strategic Director.

#### 4. Progress against the Internal Audit Plan 2011/12

- 4.1 During the period 1<sup>st</sup> April to 8<sup>rd</sup> February 2012, the Internal Audit Team has commenced or completed thirty six audit reviews, an increase of thirteen audit reviews from that reported in the progress report submitted to the Audit Committee on 20<sup>th</sup> December 2011. Table 1 below provides a summary of the progress made with delivering the Internal Audit Plan 2011/12.

**Table 1: Internal Audit Plan 2011/12 Progress (Audit Reviews)**

<b>Audit Status</b>	<b>Explanation</b>	<b>No.</b>
Not Started	Planned but not started	9
Fieldwork	In progress (Interviews, documenting, evaluating and testing of risks and controls)	26
Draft Report	Draft audit report issued and being agreed with client	24
Final Report	Audits completed and final report issued	36
		95

- 4.2 In addition to the above, there has been unplanned audit work since April responding to emerging control and risk issues.
- 4.3 There are currently two staff vacancies within the Internal Audit Team of Principal Auditor and Auditor. These are however being considered as part of service review and restructure, to ensure it effectively continues to meet the needs of the council. This is currently at consultation stage and due for implementation at the beginning of April 2012.
- 4.4 We are confident in completing the Annual Internal Audit Plan for 2011/12 through re-profiling and if required outsourcing a number of audit reviews to Deloitte under contract arrangements.

## 5. Audit Reviews Completed

- 5.1 Audit reports are issued as final where their contents have been agreed with client management, in particular management actions with responsibility and timescale. The audit is then effectively closed except for the scheduled implementation review of agreed actions.
- 5.2 During the relatively short period since the last progress report in December 2011, a further thirteen audit reviews have been completed and final reports issued. These are shown in table 2 below which includes the overall level of assurance, number and classification of agreed management actions to audit recommendations made.

**Table 2: Summary of Completed Audit Reviews (Final Reports)**

Audit	Assurance Level	Agreed Actions and Priority		
		High	Medium	Low
Staff Expenses	Reasonable	0	10	0
Personal Budgets & Direct Payments	Reasonable	1	6	1
Petty Cash and Imprest Accounts	Limited	3	6	0
Employee Vetting and Recruitment	Reasonable	0	6	0
Seafront Services	Substantial	0	1	1
Housing Revenue Account Self Funding	Substantial	0	2	0
Blue Badges	Limited	2	1	5
Treasury Management	Substantial	0	1	0
Concessionary Fares Scheme	Substantial	0	0	0
Civica Authority Financials Application	Reasonable	0	6	0
Integrated Waste Management Contract	Substantial	0	1	0
Surveillance (Regulation of Investigatory Powers Act 2000 Compliance)	Reasonable	0	9	1
St. Martin's CE Primary School	Substantial	0	6	8

- 5.3 Management actions have been agreed to the recommendations made and we will continue working with management to introduce agreed control and general service improvements, in particular where audit reviews give limited assurance.

- 5.4 The statement on the level of assurance on the effectiveness of internal controls and mitigation of risks for each audit is a professional practice requirement. Members should note that the assurance levels assigned and agreed are subjective and based on materiality and significance. They often therefore have no direct relationship with the number of agreed actions to audit recommendations made.
- 5.5 There are currently five levels of audit assurance used by the Internal Audit Team and these are summarised as follows:

<b>FULL</b>	There is a sound system of internal control designed to achieve system and service objectives. All major risks have been identified and managed effectively.
<b>SUBSTANTIAL</b>	Whilst there is basically a sound system of internal control, there are weaknesses that put system objectives at risk.
<b>REASONABLE</b>	Controls are in place but there are gaps in the process. There is therefore a need to introduce additional controls.
<b>LIMITED</b>	Weaknesses in the system of control and /or level of compliance are such to put the system objectives at risk.
<b>NO</b>	Control is significantly weak or non existent leaving the system open to high level of risk from abuse, fraud and error.

## 6. Advice and Support Corporate and Service Units

- 6.1 Demand from managers continues to be high for us to provide professional proactive advice and support. This element of our work is seen as invaluable both corporately and service level, particularly in areas of change management. By taking this proactive approach, often problems and risks to the council can be avoided.
- 6.2 Recent areas of advice provided includes IT security (COCO), data protection, income control, parking income, BACS payments in schools, council tax and procurement.

## 7. Counter Fraud Work

- 7.1 Since April 2011, 154 new cases of suspected irregularities have been identified by or referred to the Internal Audit Team for investigation. This is a significant increase on the same period for the previous year as Managers are becoming more aware as to what cases should be reported and the council's policy of zero tolerance to fraud. It is also in line with the national trend for an increase in fraud due to economic factors.
- 7.2 Of the 154 new cases, 78 related to housing fraud and the illegal subletting of council housing. The increase is however in line with the national increase in fraud against local authorities.

- 7.3 The council continues to carry out a substantial amount of proactive work to publicise and raise the issue of housing tenancy fraud and has or in the process of recovering a number of properties. We are continuing with a major pro-active exercise on housing tenancy fraud. This includes the involvement of National Anti Fraud Network (NAFN) and Experian for providing intelligence information for the detection of fraudulent tenancies. It is also a pathfinder project of the National Fraud Authority (NFA).
- 7.4 We have continued to investigate data matches from the latest National Fraud Initiatives (NFI) exercise has so far identified savings from error, overpayments and fraud of £417k.
- 7.5 The National Fraud Authority (NFA) is in the process of launching a local government strategy, "Fiighting Fraud Locally (FFL)". The strategy estimates the cost of fraud and error to local government at £2.1 billion a year or £100 for every household.
- 7.6 The FFL Strategy is based around the principles of Acknowledge, Prevent and Pursue and is expected to have a significant impact on counter fraud work by local authorities. The Head of Audit & Business Risk advised on its development as part of an Expert Advisory Group and is now assisting the Strategy Delivery Board. The FFL Strategy is however still waiting for ministerial approval before it can be released and this is expected later in February. A report will be made to the Audit Committee for members to consider the issues and implications once available.

## **8. Implementation of Agreed Management Actions**

- 8.1 When unacceptable risks are identified in audit reviews, recommendations are made and agreed management actions to mitigate these through improvement of system controls.
- 8.2 Implementation reviews for agreed management actions to audit recommendation made, are usually carried out within six months of the issue of the final report.
- 8.3 Since April 2011, 13 implementation reviews have been carried out on agreed management actions (66) from previous completed audit reviews. The level of implementation of agreed management actions is 74% fully, 21% partial/in progress and 5% not implemented yet. Of these all 95% of high priority actions have been implemented, the remaining 5% partial/in progress.
- 8.4 We continue to be concerned over the low level of fully implemented agreed actions to audit recommendations at 74% against a target of 85%. We will continue to follow-up on the outstanding management actions to ensure fully implemented. Further implementation reviews are planned for March and currently reviewing the feasibility of extending controlled access to managers

across the council to the action tracking module of our audit management system and to receive automated email alerts of actions due.

## 9. Changes to the Internal Audit Plan 2011/12

9.1 The Internal Audit Plan is a dynamic document and consistently reviewed to ensure responsive to emerging risks, issues facing the council and ensuring audit resourced are focussed on key areas.

9.2 Changes were reported to and agreed by the Audit Committee at its September meeting. Since then there have been no significant changes to the Internal Audit Plan 2011/12.

## 10. Performance of Internal Audit

10.1 To achieve planned coverage and deliver a high quality service we have well established performance indicators, agreed annually as part of the Annual Internal Audit Plan. These are also part of our business planning process and monitored regularly. Table 3 provides an overview of the performance of the Internal Audit Team against the key targets set.

**Table 3: Performance against targets**

Performance Indicators	Target for Year	Actual to Date
<b>Effectiveness</b>		
% of recommendations agreed	97%	95%
% implementation of agreed management actions	85%	74%
<b>Efficiency</b>		
% of productive time	71%	70%
% of draft reports issued within 10 days of fieldwork completion	90%	91%
% response by client to draft reports within 15 days	90%	84%
% of issue of final reports within 10 days of agreement	95%	93%
<b>Quality of Service</b>		
% of customer satisfaction feedback in very good or good	90%	94%

## 11. FINANCIAL & OTHER IMPLICATIONS:

### 11.1 Financial Implications:

It is expected that the Internal Audit Plan for 2011/12 will be delivered within existing budgetary resources. In considering resources allocated to internal audit



work this needs to be balanced against the need for financial probity, financial risks and achieving value for money.

Finance Officer consulted: Anne Silley  
Head of Business Engagement

9<sup>th</sup> February 2012

#### 11.2 Legal Implications:

Regulation 6 of The Accounts & 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. It is a legitimate part of the Audit Committee's role to review the level of work completed and planned by internal audit.

Legal Officer consulted: Oliver Dixon  
Lawyer

9<sup>th</sup> February 2012

#### 11.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

#### 11.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

#### 11.5 Crime & Disorder Implications:

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

#### 11.6 Risk and Opportunity Management Implications:

The Internal Audit Plan and its outcome is a key part of the Council's risk management process. The internal audit planning methodology is based on risk assessments that include the use of the council's risk registers.

#### 11.7 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**

#### **Background Documents**

1. Internal Audit Plan 2011/12
2. Code of Practice for Internal Audit in Local Government, CIPFA (2006)
3. Accounts & Audit Regulations 2011

<b>Subject:</b>	<b>Risk Management Strategy 2012</b>		
<b>Date of Meeting:</b>	<b>21 February 2012</b>		
<b>Report of:</b>	<b>Director of Finance</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jackie Algar</b>	<b>Tel: 29-1273</b>
	<b>Email:</b>	<b>Jackie.algar@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

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

- 1.1 For the information of the Audit Committee, this report sets out a new Risk Management Strategy for 2012, which is intended to provide for the next three years, to replace the current Risk & Opportunity Management Strategy 2008 – 2011.
- 1.2 Approval for the Risk Management Strategy is the responsibility of Cabinet, ongoing monitoring of the effectiveness of actions to deliver the Strategy is the role of the Audit Committee.

**2. RECOMMENDATIONS:**

- 2.1 That the Audit Committee note the approved Risk Management Strategy 2012.
- 2.2 That the Audit Committee note that Cabinet have delegated authority to the Director of Finance to alter the Risk Management methodology as necessary so that the Risk Management Strategy is kept up to date with changing requirements and best practice.

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

- 3.1 Risk Management forms a key component of the council's overall governance arrangements. Brighton & Hove City Council ("the council") has practiced Risk Management since its formation as a unitary council in 1997. The more recent approach was set out in the Risk & Opportunity Management 2008 – 2011.
- 3.2 This full review of the council's approach needs to take into account the significant changes which impact on the council and its operating environment, including:
- Government change and policy direction;
  - Significant organisational change – both within the council and other organisations;
  - Enhanced need to explore potential for alternative means of public service delivery;
  - Recognition of increased need to prioritise, use and channel available resources appropriately to provide outcomes for the local community.
- 3.3 The Strategy will work towards achievement of the international standard for risk management, ISO 31000, which defines risk as the "*effect of uncertainty on objectives*", and further expands that "an *effect* is a positive or negative deviation from what is expected".
- 3.4 Some aspects of the council's approach have not altered, such as:
- the methodology employed, which is widely used and understood;
  - integration of risk management into existing processes and frameworks;
  - continuing to use risk management to support the approach to managing both negative risks (such as threats or issues which could prevent achievement of objectives) and positive opportunities (such as those connected with innovation and working with other creatively to achieve objectives).

#### **4. COMMUNITY ENGAGEMENT AND CONSULTATION**

- 4.1 The work to establish Risk Management as a key element of the council's Performance & Risk Management Framework has involved cross-discipline work and through work on the City wide Risk Register has involved consultation with external partners. Risk Management is a key part of Commissioning and Partnership Commissioning Strategies and will be available to all parties who work with the City Council.

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

##### Financial Implications:

- 5.1 The Risk Management Strategy will assist the authority to comply with Corporate Governance Standards and will contribute to the authority's control and risk management assessment for the Annual Governance Statement within the Financial Statements.

The Risk Management Strategy will support the city wide Performance & Risk Management Framework.

*Finance Officer Consulted: Anne Silley*

*Date: 11/01/20012*

Legal Implications:

- 5.2 Whilst there are no legal implications arising directly from this report, effective risk management systems will enable better identification of legal risks, promote their effective management and therefore minimise the council's exposure to potential liability.

*Lawyer Consulted:*

*Oliver Dixon*

*Date: 02/02/12*

Equalities Implications:

- 5.3 The council's operating model puts customers at the heart of our activities. The Risk Management methodology includes consideration of and a process to manage equalities implications.

Sustainability Implications:

- 5.4 Sustainability means protecting and enhancing the environment, meeting social needs and promoting economic success and risk management will be applied to each of these.

Crime & Disorder Implications:

- 5.5 There are no direct Crime & Disorder implications.

Risk and Opportunity Management Implications:

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

Public Health Implications:

- 5.7 The Risk Management methodology accords with that used by the NHS and is used to inform public health decision making and projects.

Corporate / Citywide Implications:

- 5.8 There are no direct citywide implications.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Risk Management Strategy 2012.

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

1. Risk Management Strategy 2012.

## **Background Documents**

1. International Standard 31000 Risk Management.



# **Risk Management Strategy**

## **For Managing Risk and Uncertainty**

### **2012**



## 1. Introduction

Brighton & Hove City Council (the “Council”) operates within a complex and dynamic environment. There are a number of key changes which are affecting the Council (“the Council”) and the public sector more widely that have direct implications for the management of risk and the achievement of the Council’s corporate priorities. These include:

- A challenging national economic climate;
- Major changes to the funding and organisation of public services;
- The impact of wider government policy and legislative change;
- Reforms to the regulation and assessment of public services;
- Significant organisational change – both within the council and other organisations that the council works work;
- A focus on prioritising limited resources based on need to meet agreed outcomes for the city.

The Risk Management Strategy 2012 is intended to provide for the next three years, 2012-2015, but is dynamic and will be subject to continuous review. It is designed to better reflect these circumstances and to apply a robust, systematic and documented process so that the council’s approach to both negative risks (such as threats or issues which could prevent achievement of objectives) and positive opportunities (such as those connected with innovation and working with others creatively to achieve objectives) is properly managed and overseen. In this way, the Risk Management process supports the Council in achieving its corporate priorities and is an integral element of good corporate governance . Better risk management will result in better outcomes for the City. .

The Council has a track record of good risk management and innovative service delivery initiatives. It has successfully embedded risk management into its business and activities. The Council recognises that maintaining a dynamic risk aware culture is vitality important as it continues to go through a period of significant change.

The council’s approach and strategy incorporates best practice for risk management and aims to promote a positive risk awareness culture to support the achievement of the Council’s priorities<sup>1</sup>:

- Tackling inequality
- Creating a more sustainable city
- Engaging people who live and work in the city
- A responsible and empowering employer
- A council the city deserves

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<sup>1</sup> Brighton & Hove City Council Corporate Plan 2011-15



Also those which have been agreed with the Local Strategic Partnership in the Sustainable Community Strategy.

The Council has taken the positive step of integrating the systematic identification and management of risks through Performance & Risk Management Framework into its Service and Financial Planning process.

The Council's Corporate Plan 2011 – 2015 expresses it as follows:

“The Council's Performance and Risk Management Framework is an important piece of the improvement jigsaw, ensuring that every member of staff has clear objectives that connect their contribution to the council's priorities. The business planning process links employee development with day-to-day tasks and service outcomes, right through to the Sustainable Community Strategy aims. This provides a 'golden thread' of work by individuals to the long-term vision for the city. Identifying opportunities and mitigating against risk is an integral element of each services business plan.”

### **Aims of the Strategy**

- To bring consistency in understanding what risks the Council, and other organisations the Council works with, face in delivering services for the city.
- To identify and prioritise risks and plan to deliver improvements to mitigate negative risks or enhance positive opportunities so that the Council's objectives are achieved.

### **Our Risk Management Approach**

To accord with best practice the Council's approach aims to get the right balance between innovation and change on the one hand, and the avoidance of shocks and crises on the other. This is why Risk Management can also be referred to as ROM (Risk & Opportunity Management).

This supports working towards achievement of the International Standard ISO31000. The ISO31000 definition of Risk is:

***“the effect on uncertainty on objectives”***

and further expands that

***“an effect is a positive or negative deviation from what is expected”.***

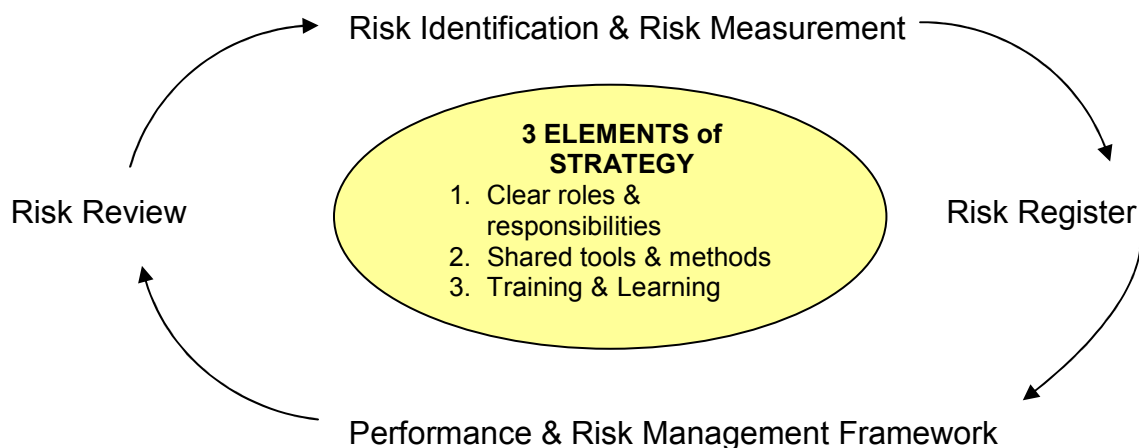
The approach to be taken in the 2012 Risk Management Strategy will be to continue to:

- embed risk management into the culture of the council by integration into existing processes and frameworks to enable management of uncertainty in a systematic, effective and efficient manner<sup>2</sup>;
- recognise good practice and expertise of related risk disciplines, e.g. civil contingencies planning, financial planning including insurance, health and safety and sustainability;<sup>3</sup>
- work with others outside of the organisation to share, improve and update our processes to either anticipate and/or respond to changing operating environments and requirements.

The Council believes risk needs to be managed rather than avoided and will be proactive to ensure it takes an acceptable level of risk. The amount of risk the Council is prepared to accept or be exposed to (its risk appetite) will vary according to the perceived significance in terms of timing as well as legislative constraints.

## ELEMENTS OF THE RISK MANAGEMENT STRATEGY

These elements support delivery of the Risk Management process as set out in the diagram below:



Some risks will always exist and can never be eliminated; they therefore need to be appropriately managed. This Strategy sets out how the Council will:

- Establish clear roles, responsibilities within the council for Risk Management as part of the Council's decision making and operational management processes, e.g. Service/Business Planning, Commissioning, Project Management, Partnerships and Procurement processes (**Strategy Element 1**)
- Provide a shared methodology which can be used to ensure common standards and an understanding of risk management to provide an overview of risks to which the Council is exposed (**Strategy Element 2**)
- Reinforce the importance of effective management of risk through training and provision of opportunities for shared learning (**Strategy Element 3**)

<sup>2</sup> The Council's Performance & Risk Management Framework is an example

<sup>3</sup> The Council's Risk Management Steering Group, an informal group chaired by the Risk Manager, which meets at least four times a year, includes representation of these disciplines

## **Strategy Element 1 – Roles & Responsibilities for Risk Management**

The Risk Management Strategy 2012 sets out the roles and responsibilities for risk management in the Council so that:

- √ everyone knows how they contribute within the Council wide framework to understand and manage risks at the level which applies to them so that the Council's exposure to risk is within its acceptable limits
- √ risks, both "downside" threats or "upside" opportunities, are appropriately managed at least in accordance with specified roles and responsibilities or, if beyond the individual's direct control, they are "escalated" to the management level above
- √ Ensure that the identification of risks is an ongoing task and aligned with business planning and performance management arrangements

Those with a responsibility to manage risks (either a person or a group) are also known as "Risk Owners", they have authority to ensure that action in response to risk is appropriate.

On the next page is a table setting out details of roles and responsibilities for risk management. It is not significantly different from the previous risk management strategy or practice but better reflects the current structure and operating model of the Council.

<b>Roles &amp; Responsibilities for Risk Management</b>	<b>How</b>
<b>All Staff and Risk Owners delivering a particular service or business objective (including Corporate Management Team)</b>	
<ul style="list-style-type: none"> <li>* Achievement of agreed objectives within legal and budgetary boundaries*</li> <li>* Proactive risk &amp; opportunity management in their day to day activities</li> <li>* Agree resource allocation within their allowed boundaries</li> <li>* Identify the need for escalation of negative risks through the reporting process</li> </ul>	<ul style="list-style-type: none"> <li>* Through ownership of a service plan with integrated risk register</li> <li>* Through ownership of a project plan and associated risk register</li> <li>* Make use of the comprehensive risk management information on the Council's intranet and access training to assist them in fulfilment of their responsibilities</li> <li>* Scheduled progress meetings, e.g. with manager; Commissioner of Services; project board to report progress towards achievement of objectives &amp; management of risks</li> </ul>
<b>Risk Owner for organisations delivering services for, or with, the Council e.g. contractor/supplier/partners</b>	
<ul style="list-style-type: none"> <li>* Comply with their own organisation's risk management arrangements</li> <li>* Achieve objectives agreed with the Council *</li> </ul>	<ul style="list-style-type: none"> <li>* Provide evidence of organisation's risk management arrangements</li> <li>* Scheduled progress meetings</li> </ul>
<b>Strategic Leadership Board (Chief Executive, Strategic Directors and Director of Finance)</b>	
<ul style="list-style-type: none"> <li>* Manage the strategic risks faced by the Council, including in its partnership work</li> <li>* Responsible for reviewing the strategic risk register at least six monthly and management action plans to address risk</li> <li>* Provide the leadership and support to promote a culture in which risks and opportunities are managed with confidence at the lowest appropriate level</li> </ul>	<ul style="list-style-type: none"> <li>* Risk Owners to review, or delegate responsibility for the purposes of reporting to Councillors and the Audit Committee</li> <li>&amp; Ensure that any significant approved new project or changes have appropriate risk management arrangements</li> </ul>
<b>Councillors</b>	
<ul style="list-style-type: none"> <li>* Require the Risk &amp; Opportunity Management paragraphs in reports submitted for decisions making to be completed and satisfy themselves on the information contained</li> </ul>	<ul style="list-style-type: none"> <li>* Make use of the comprehensive risk management information on the Council's intranet and access training to assist them in fulfilment of their responsibilities</li> </ul>
<b>Council Elected Member Leadership (e.g. Cabinet)</b>	
<ul style="list-style-type: none"> <li>* Approve the Risk Management Strategy</li> <li>* Require the Risk &amp; Opportunity Management paragraphs in reports submitted for decisions making to be completed and satisfy themselves on the information contained</li> </ul>	<ul style="list-style-type: none"> <li>* Make use of the comprehensive risk management information on the Council's intranet and access training to assist them in fulfilment of their responsibilities</li> </ul>
<b>The Audit Committee</b>	
<ul style="list-style-type: none"> <li>* Ensure independent assurance of the adequacy of Risk Management and the associated control environment</li> </ul>	<ul style="list-style-type: none"> <li>* At least annually receive the strategic risk register, and reports on risk management arrangements, Risk Management Programme and progress</li> <li>* Where it considers it appropriate, make recommendations to Council Elected Member Leadership Group</li> <li>* Engage in Risk Management to increase their knowledge and understanding</li> </ul>

## **Strategy Element 2 – Shared methodology for risk management**

Many of the Risk Management tools and methods have not been significantly changed during production of this new Strategy, but rather they are continually revised to reflect the most up to date operating context for the Council and best practice developments.

The Council's process has a series of well defined steps to support sound decision making through understanding of risks, whether a positive opportunity or negative threat and their likely impact.

The methods used to identify, prioritise and manage risks have not changed as they have been effective, are widely used and understood and have been developed with NHS and partners connected with delivering the Civil Contingencies Act 2004.

The Risk Manager consults on and seeks approval from the Audit Committee for an annual Risk Management Programme for the Council to detail the key strategic actions, improvements and developments to the Risk Management process. At year end, a progress review of achievements for the annual programme is submitted to assist the Audit Committee.

By continuing to develop a common understanding, and practice of risk management, the following benefits will be achieved to help deliver the Council's objectives:

- \* the "risk appetite" for services delivered by or in connection with the Council is consistently understood (i.e. the level of risk that is acceptable) and escalation of risks to the management or decision-making level above is carried out in an ordered way;
- \* risk registers are completed for significant and high risks to enable an overall picture of risk exposure whether through direct service provision or in conjunction with other parties;
- \* decision-makers may be assured that the strategic objectives of the council, including related objectives of its partner organisations, external parties or business partners, stand a good chance of being successful;
- \* managers and staff are equipped to identify, record, escalate, monitor and self-audit risks.

There are 3 Steps of the Risk Management Process:

- 1) Risk identification
- 2) Risk measurement
- 3) Risk registers

Once actions have been agreed and set out in the risk registers, they will be incorporated into the usual planning and performance management processes.

## Step 1: Risk Identification

Related Tools available on the Intranet ( "the Wave" )

- 1) Risk Category Checklist
- 2) ROM Quick Analysis Tool

**Risk Management starts with being clear on the objective to be achieved and then identifying risks which could affect achievement of that objective. The Risk Categories checklist below is used to prompt identification of risks or issues (*new additions are denoted in italics*).**

<b>Risk Categories Checklist</b>
Professional/Managerial/Partnerships – Recruitment/Retention of qualified staff; <i>Capacity</i> ; Investing in Training; Skill mix; Over reliance on key officers; Ability to implement change; Management of partnership working
Economic/Financial – Impact of national economic position; Failure of major project(s); Missed business and service opportunities; Failure to prioritize, allocate appropriate budgets and monitor; Inefficient/ineffective processing of documents.
Social – Meeting the needs of disadvantaged communities; Tracking the changes in population base; Employment opportunities; Regeneration; Partnership working; Life-long learning.
Technological – Functionality and reliability of IT systems – impact on service delivery; Data security issues; Inability to implement change; Obsolescence of technology; Technology strategy.
Legislative – Meeting statutory duties/deadlines; Breach of confidentiality/Data Protection Acts requirements; European Directives on Procurement of Services; Implementation of legislative change.
Physical – Human Resources issues; Loss of intangible assets (e.g. intellectual property); Health and Safety; Loss of physical assets (e.g. damage to property as a result of fire or theft).
Contractual/Competitive – Over reliance on key suppliers/contractors; Ineffective contract management; Contractor failure; Lack of existing markets.
Equalities – Workforce Composition – across all persons who provide a service on behalf of the council and its partnership work; Appropriate recognition of the diversity of Service Users/Customers, e.g. age, ethnicity, gender, disability, religion; Ensuring consistent minimum standards to meet legislative duties (incl. training, sharing policies & best practice); Altering working practices as necessary to meet diverse needs and ensure no discrimination; Ability to demonstrate equalities in action (incl. monitor, evaluate and review).
Political – Impact of Strategic Priorities on business activities; Clarity & cohesion in decision making; Impact of Central Government policy on local policy/local initiatives.
Environmental/Sustainability – Energy use (efficiency), energy costs, energy supply; <i>Climate Change considerations</i> ; Waste Management – correct disposal, hazardous waste; Waste reduction and recycling issues; Noise and street scene implications; Pollution control, air pollution, spillages; Water conservation; Transport implications.
Practice & Clinical Issues, including Clinical Governance – Practice issues; Patient Safety; Clinical Governance; Clinical Procedures; On-going professional development; Loss of key clinical staff.
Customer/Citizen – Appropriate consultation; Quality customer care; Access to services; Views of Service Users and/or viewpoint of patients; Political support, e.g. Members of city council.
Fraud & Corruption – Appropriate segregation of duties; Security of data <i>and other assets</i> ; Hospitality/Gifts Policy, Record Keeping and Monitoring; Trends of working (e.g. usual lone or late working) or sickness absences (potentially fraudulent); Verification/Validation checks e.g. before staff/contractor appointments/cash transactions.

## Step 2: Risk Measurement

**Related Tools available on the Intranet ("the Wave")**

**3) Risk Matrix**

**4) Risk Descriptor Guidance (to help "score" Likelihood and Impact of each risk)**

Risks are assessed on their impact and likelihood of occurrence. This involves allocation of a "Likelihood" and an "Impact" score to each one (use the risk matrix).

	MOST LIKELY <b>IMPACT</b> (if in doubt grade up not down)				
<b>LIKELIHOOD</b>	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Almost Impossible (1)	1	2	3	4	5

All risks should be quantified by using a standard form of measurement. The use of a basic 5 by 5 calculation where exposure to risk is measured based on the multiplication of likelihood and associated impact, i.e. if a risk has a very high likelihood and a very high impact it will receive a combined rating of 25. This is known as the "initial" risk score (sometimes called the "Inherent" risk score).

This is the approved method which applies across most public sector organisations, such as the Council, the NHS and organisations connected with the Civil Contingencies Act 2004.

The Risk Appetite (the amount of risk that the council is willing to accept) of the council, unless specified differently by decision makers (e.g. a project board) is determined by the colour coding, and the actions to take are set out below.

The Risk Matrix contains guidance on what action should be taken according to the initial Risk Score.

<b>1 - 3</b>	<b>4 - 7</b>	<b>8 - 14</b>	<b>15 - 25</b>
<b>Low</b>	<b>Moderate</b>	<b>Significant</b>	<b>High</b>
<b>Monitor periodically</b>	<b>Monitor if the risk levels increase</b>	<b>Review &amp; ensure effective controls</b>	<b>Immediate action required &amp; need to Escalate to the management level above</b>

### **Step 3: Risk Registers**

#### **Related Tools**

##### **5) Risk Register available on the Intranet ( "the Wave" )**

How successful we are in dealing with the risks we face can have a major impact on the achievement of our key priorities and outcomes.

The Risk Registers set out the existing controls that relate to the risk as most are already subject to some degree of management. This helps the council set a more realistic or "real" prioritisation of the issues by assignment of a residual risk score. This means effort and resource can be targeted to mitigate or manage the risk and actions with responsibilities and target dates being set out in the Risk Register (see format of Risk Register on next page). Through this re-assessment of priority scores (using the "Residual Risk Score") further work or "solutions" can be planned to address the risk until it reaches an acceptable level (i.e. within the risk appetite set).

This is one of the key benefits of Risk Management, i.e. to prioritise, assess the existing deployment of resources, whether it is effective and to influence future deployment of resource (e.g. money and effort).

As not all risks are priorities, and risks will always exist, having identified and measured risks one of the following proportionate actions (the Risk Strategy for the particular issues) can be selected:

- Treat the risk – agree an action to manage the risk to an acceptable level
- Transfer the risk – possibly by purchasing additional insurance or bonds
- Terminate the risk – stop the current system or process and introduce a new system
- Tolerate the risk – if nothing reasonable can be done to control the risk because it may be out of the service or the Council's sphere of influence

Actions from Risk Registers, with details of key dates and individual responsibility for action should be integrated into service plans and project plans. Appropriate review is needed to keep the risk register current. Each risk owner will need to have a securely retained copy of the register and a clear history of changes made as risk registers may be requested at any time by decision makers, project boards, the Risk Manager, Internal or External Auditors or any interested parties in the interest of openness & accountability.



## Risk Register Format

Risk No.	Reference link (i.e. Service Objective No. or Strategic Risk)	Risk Description	Potential Consequence	Initial Likelihood (L) Risk Score	Initial Impact (I) Risk Score	Mitigating Controls & Actions	Controlled Likelihood (L) Risk Score	Controlled Impact (I) Risk Score	Controlled Risk Score	Risk Action Owner	Further "Solutions", i.e. actions/ controls  (these represent "work that needs to be done" to be included as Key Actions in Business Plan)	Target Date	Risk Strategy  select one: * Transfer * Treat * Terminate * Tolerate
<b>Example line follows for guidance</b> – add as many rows as you need to this table to record a comprehensive risk register. There are a number of ways to do this but the easiest is to move to the end cell and press the tab key.													
Assign a unique number	Detail the particular service objective no. or Strategic Risk, if relevant	Summarise what it is that you think could prevent achievement of your objective	Summarise what could happen and detail the impact on outcomes	Use the Risk Matrix	Use the Risk Matrix	List existing processes/Mitigations/ Controls that are in place to manage the risk	Use the Risk Matrix	Use the Risk Matrix	Multiply L x I and check Risk Matrix	Record name of a colleague in your unit	List further actions that you have planned or realise that you need to take AND add these as Key Actions in your Business Plan	Completion date for this action	

### Strategy Element 3 - Reinforce the importance of effective management of risk through training and provision of opportunities for shared learning

The Council's Risk Manager is charged with providing active support and training by:

- Providing advice on risk and opportunity management to assist those with responsibility for Risk Management through the Learning & Development training programme and individual's use of the extensive intranet (Wave) pages and the ROM e-learning programme;
- Helping others to understand what risk is and reinforcing the opportunities that risk management can present;
- Facilitating risk identification, assessment and mitigation through facilitated risk workshops or topic sessions which offer groups and/or individuals an opportunity to learn about risk management and apply it to a real situation which needs attention;
- Ensuring that a consistent approach to risk management is applied, including a common understanding of terminology and definitions.

For details or for advice, search on the Council's intranet ("the Wave") under "risk & opportunity" or contact [jackie.algar@brighton-hove.gov.uk](mailto:jackie.algar@brighton-hove.gov.uk). Overall accountability for risk management rests with the Director of Finance.

Document is Restricted

