



Brighton & Hove
City Council

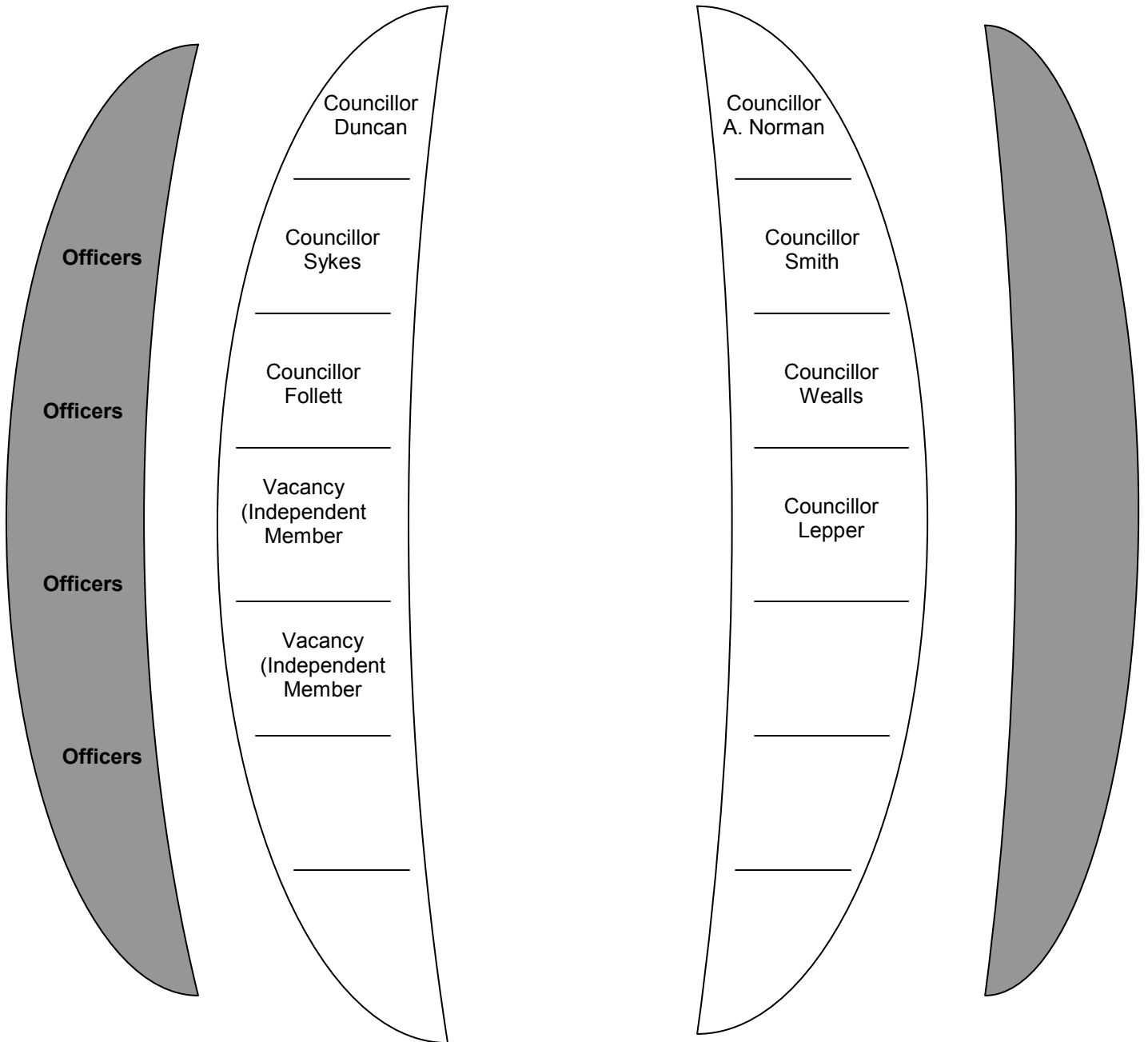
Audit & Standards Committee

Title:	Audit & Standards Committee
Date:	25 September 2012
Time:	4.00pm
Venue	Council Chamber, Hove Town Hall
Members:	Councillors: Hamilton (Chair), A Norman (Opposition Spokesperson), Duncan, Follett, Lepper, Smith, Sykes and Wealls Co-opted Members: Vacant (2)
Contact:	Ross Keatley Democratic Services Officer 01273 291064 ross.keatley@brighton-hove.gov.uk

	The Town Hall has facilities for wheelchair users, including lifts and toilets
	An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter and infra red hearing aids are available for use during the meeting. If you require any further information or assistance, please contact the receptionist on arrival.
	FIRE / EMERGENCY EVACUATION PROCEDURE If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions: <ul style="list-style-type: none">• You should proceed calmly; do not run and do not use the lifts;• Do not stop to collect personal belongings;• Once you are outside, please do not wait immediately next to the building, but move some distance away and await further instructions; and• Do not re-enter the building until told that it is safe to do so.

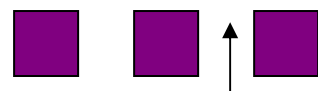
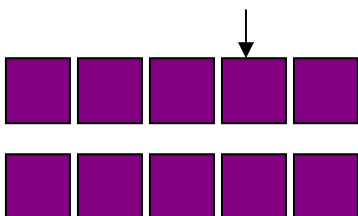
Democratic Services: Audit & Standards Committee

Head of Law	Councillor Hamilton Chair	Acting Director of Finance	Democratic Services Officer
-------------	---------------------------	----------------------------	-----------------------------



Presenting Officer	Presenting Office
--------------------	-------------------

Public Seating



Press

AGENDA

25. 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:**

- (a) Disclosable pecuniary interests not registered on the register of interests;
- (b) Any other interests required to be registered under the local code;
- (c) Any other general interest as a result of which a decision on the matter might reasonably be regarded as affecting you or a partner more than a majority of other people or businesses in the ward/s affected by the decision.

In each case, you need to declare

- (i) the item on the agenda the interest relates to;
- (ii) the nature of the interest; and
- (iii) whether it is a disclosable pecuniary interest or some other interest.

If unsure, Members should seek advice from the committee lawyer or administrator preferably before the meeting.

(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 Two 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.

26. MINUTES

1 - 8

To consider the minutes of the meeting held on 26 June 2012 (copy attached).

27. CHAIR'S COMMUNICATIONS

AUDIT & STANDARDS COMMITTEE

28. PUBLIC INVOLVEMENT

To consider the following matters raised by members of the public:

- (a) **Petitions:** to receive any petitions presented to the full council or at the meeting itself;
- (b) **Written Questions:** to receive any questions submitted by the due date of 12 noon on the 18 September 2012;
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 18 September 2012.

29. MEMBER INVOLVEMENT

To consider the following matters raised by councillors:

- (a) **Petitions:** to receive any petitions submitted to the full Council or at the meeting itself;
- (b) **Written Questions:** to consider any written questions;
- (c) **Letters:** to consider any letters;
- (d) **Notices of Motion:** to consider any Notices of Motion referred from Council or submitted directly to the Committee.

STANDARDS ITEMS

30. ARRANGEMENTS FOR THE REGISTER OF MEMBERS INTERESTS

(verbal update).

Ward Affected: All Wards

31. COMPLAINTS PROCEDURE

9 - 18

Report of the Monitoring Officer (copy attached).

Contact Officer: Brian Foley Tel: 291229

Ward Affected: All Wards

32. COMPLAINTS UPDATE

19 - 24

Report of the Monitoring Officer (copy attached).

Contact Officer: Brian Foley Tel: 291229

Ward Affected: All Wards

33. ROTTINGDEAN PARISH COUNCIL: ADOPTION OF NEW CODE OF CONDUCT

25 - 36

Report of the Monitoring Officer (copy attached).

Contact Officer: Oliver Dixon Tel: 29-1512

Ward Affected: Rottingdean Coastal

AUDIT & STANDARDS COMMITTEE

AUDIT ITEMS

- 34. AUDIT COMMISSION: ANNUAL GOVERNANCE REPORT 2011/12** 37 - 86
Report of the Audit Commission (copy attached).
Ward Affected: All Wards
- 35. STATEMENT OF ACCOUNTS 2011/12** 87 - 106
Report of the Director of Finance (copy attached).
Contact Officer: Jane Strudwick Tel: 01273 291255
Ward Affected: All Wards
- 36. TARGETED BUDGET MANAGEMENT 2012/13 MONTH 2** 107 - 154
Report of the Director of Finance (copy attached).
Contact Officer: Nigel Manvell Tel: 29-3104
Ward Affected: All Wards
- 37. INTERNAL AUDIT PROGRESS REPORT** 155 - 160
Report of the Director of Finance (copy attached).
Contact Officer: Ian Withers Tel: 29-1323
Ward Affected: All Wards
- 38. FIGHTING FRAUD LOCALLY** 161 - 180
Report of the Director of Finance (copy attached).
Contact Officer: Ian Withers Tel: 29-1323
Ward Affected: All Wards
- 39. ITEMS REFERRED FOR COUNCIL**
To consider items to be submitted to the 25 October 2012
Council meeting for information.

In accordance with Procedure Rule 24.3a, the Committee may determine that any item is to be included in its report to Council. In addition, any Group may specify one further item to be included by notifying the Chief Executive no later than 10am on the eighth working day before the Council meeting at which the report is to be made, or if the Committee meeting take place after this deadline, immediately at the conclusion of the Committee meeting

AUDIT & STANDARDS COMMITTEE

PART TWO

40. PART TWO MINUTES 181 - 184

To consider the part two minutes of the meeting held on 26 June 2012 (copy attached).

41. COMPLAINTS UPDATE (SEPTEMBER 2012) (EXEMPT CATEGORY 1) 185 - 192

Report of the Monitoring Officer (copy attached).

Contact Officer: *Brian Foley* Tel: 291229
Ward Affected: *All Wards*

42. STRATEGIC RISK MANAGEMENT ACTION PLAN FOCUS – SR4, 5 AND 8 193 - 200

Report of the Director Finance (copy attached).

Contact Officer: *Jackie Algar* Tel: 29-1273
Ward Affected: *All Wards*

43. PART TWO PROCEEDINGS

To consider whether the items listed in Part Two of the agenda and decisions thereon should remain exempt from disclosure to the press and public.

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

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

Agendas and minutes are published on the council's website www.brighton-hove.gov.uk. Agendas are available to view five working days prior to the meeting date.

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

WEBCASTING NOTICE

This meeting may be filmed for live or subsequent broadcast via the Council's website. At the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed.

You should be aware that the Council is a Data Controller under the Data Protection Act 1988. Data collected during this web cast will be retained in accordance with the Council's published policy (Guidance for Employees' on the BHCC website).

AUDIT & STANDARDS COMMITTEE

Therefore by entering the meeting room and using the seats around the meeting tables you are deemed to be consenting to being filmed and to the possible use of those images and sound recordings for the purpose of web casting and/or Member training. If members of the public do not wish to have their image captured they should sit in the public gallery area.

If you have any queries regarding this, please contact the Head of Democratic Services or the designated Democratic Services Officer listed on the agenda.

For further details and general enquiries about this meeting contact Ross Keatley, (01273 291064, email ross.keatley@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk.

Date of Publication - Monday, 17 September 2012

BRIGHTON & HOVE CITY COUNCIL

AUDIT & STANDARDS COMMITTEE

4.00pm 26 JUNE 2012

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Co-Chair), A Norman (Opposition Spokesperson), Duncan, Follett, Lepper, Smith, Sykes and Janio

Independent Members: Dr M Wilkinson (Co-Chair), Mr P Rose

Rottingdean Parish Council Representatives: Mr J Bustard

PART ONE

1. PROCEDURAL BUSINESS

1a) Declaration of Substitutes

1.1 Councillor Janio was present in substitution for Councillor Wealls.

1b) Declarations of Interest

1.2 There were none.

1c) Exclusion of the Press and Public

1.3 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).

1.4 **RESOLVED** - That the press and public not be excluded from the meeting.

2. MINUTES OF DECOMMISSIONED COMMITTEES

2.1 The minutes of the Standards Committee held on 17 April 2012, and the Minutes of the Audit Committee held on 24 April 2012 were noted.

3. CHAIR'S COMMUNICATIONS

- 3.1 The Co-Chair, Councillor Hamilton, thanked the Committee for agreeing the amended start time.

4. TERMS OF REFERENCE

- 4.1 **RESOLVED** – That the Committee note the terms of reference.

5. COMMITTEE START TIMES

- 5.1 **RESOLVED** – That the Committee agree a revised start time of 4.00 p.m. for all meetings of the Committee during the 2012/13 municipal year.

6. PUBLIC INVOLVEMENT

- 6.1 There were no petitions, written questions or deputations from members of the public.

7. ISSUES RAISED BY COUNCILLORS

- 7.1 There were no petitions, written questions, letters or notices of motion received from Members.

8. WORK PLAN FOR AUDIT & STANDARDS COMMITTEE

- 8.1 The Committee considered a report of the Director of Finance in relation to the 2012/13 work programme for the Committee. The Head of Audit & Business Risk informed the Committee that many of the agenda items follow an annual cycle.

- 8.2 **RESOLVED** – That the Committee:

- a) Notes the Audit & Standards Committee Work Programme for 2012/13 and comment on any items.
- b) Requests the Head of Audit & Business Risk to keep the Work Programme updated to reflect new items as they are identified.

9. COMPLAINTS UPDATE (JUNE 2012)

- 9.1 The Committee considered a report of the Monitoring Officer in relation to active Standards complaints, and cases where the outcome had previously not been reported; the report also included an update on complaints dealt with via the Local Government Ombudsman. It was also highlighted that Officers were proposing to change the format of the report for future Committees to include more detail; and ensure that the necessary sections were considered under as Part 2 items.

- 9.2 Councillor Duncan highlighted changes to the anonymity of complaints made against Members; and the Complaints Manager explained that under the proposed new regime complaints referred for investigation could be determined in public session at the final stage. Councillor Ann Norman said that she had been involved with Standards

complaints for some time, and it was her experience that the current process operated well, and there was a strong case to keep complaints confidential until the final stage to ensure investigations could be conducted properly and impartially.

- 9.3 Councillor Janio noted that currently all complaints could not be dismissed even if they were withdrawn, and asked if this would change under the proposed new regime. In response the Monitoring Officer said that the current regulations prescribed that all complaints had to be heard, but under the new regime there could be an agreement between the Monitoring Officer and the Committee so that withdrawn or vexatious complaints could be dismissed.
- 9.4 The Co-Chair, Dr Wilkinson, thanked the Complaints Manager and his team for excellent work they had undertaken during the period he had served as the Chair of the previous Standards Committee.
- 9.5 **RESOLVED** - The Committee note the report.

10. STANDARDS UPDATE

- 10.1 The Committee considered a report of the Monitoring Officer with an update on the changes to the regulation of standards of conduct for elected Members which would come into force on 1 July 2012. The report contained the requirements of the new regime; the work of the Cross Party Working Group on Standards and it proposed a new code of conduct for Members and a new complaints procedure based on the requirements of the Localism Act and the new regulations.
- 10.2 Councillor Duncan stated his concern that the proposals should not be disproportionate considering the limited sanctions the regime would be able to impose. He asked about the short period between when the regulations would come into force, and when the new regime could be approved at the Council meeting on 19 July 2012. In response the Acting Assistant Head of Law explained that there were transitional provisions in place to cover this.
- 10.3 In response to a series of queries from Councillor Follett it was explained that: the proposed new regime only required the independent person to be consulted at the first stage of the complaint; the Council had included a self-imposed target of 3 months to deal with all complaints, and Officers had not considered it proportionate to call a Special Council meeting before 19 July 2012 to agree the new proposals. It was also highlighted that the Monitoring Officer would be contacting all Members to inform them of the new proposals regarding declaration of Members' interests, if agreed by the Committee, in the next few days.
- 10.4 The Committee discussed the dismissal of complaints at the first stage by the Monitoring Officer, and it was explained that the Monitoring Officer would only dismiss complaints at the first stage when they were: of a clearly vexatious nature; would not be in the public interest (for example would constitute an inefficient use of Council resources) or where, even if upheld, the complaint would not constitute a breach of the Code.

10.5 In discussion about Members withdrawing from a meeting it was suggested that an amendment could be made to Standing Orders to request a Member to withdraw from a meeting when they had a disclosable pecuniary interest. Members agreed to this addition. It was also noted that withdrawal from a meeting would include any public area or gallery. The Committee then went on to discuss disclosable non-pecuniary interests, and the Monitoring Officer highlighted the requirement to withdraw did not apply to this area; instead it would be at the discretion of Members, and it was felt that this qualification would make the code proportionate in relation to non-pecuniary interests. Councillor Lepper noted that it was important Members considered how these matters could potentially be viewed by the public; the Monitoring Officer went on to assure Members that full training would be given.

10.6 **RESOLVED** - That the Committee:

- a) Recommends to Council the adoption of the new Code of Conduct for Members as set out at Appendix One with effect from the 20th July 2012;
- b) Recommends to Council the adoption of a simplified Complaints Procedure as set out at Appendix Three to the report with effect from the 20th July 2012;
- c) Instructs the Monitoring Officer to advertise a vacancy for the appointment of two Independent Persons in accordance with statutory requirements and to convene an appointment Panel of Members in accordance with the proposals in paragraphs 3.20 and 3.21 of the report;
- d) Instructs the Monitoring Officer to put in place arrangements for training for Members on the new Code and arrangements for the register of Members' interests;
- e) Instructs the Monitoring Officer to consult with the Parish Council and to report to the next meeting of the Audit & Standards Committee with details of the Code of Conduct to be adopted by the Parish Council and the arrangements for the register of Parish Council interests.
- f) Recommends to Council that Standing Orders be amended with effect from 20 July 2012, to require Members with a Disclosable Pecuniary Interest to withdraw from the meeting.

11. TARGETED BUDGET MANAGEMENT (TBM) PROVISIONAL OUTTURN 2011/12

11.1 The Committee considered a report of the Director of Finance, approved by the Policy & Resources Committee, in relation to the targeted budget management provisional outturn 2011/12. The report outlined the provisional outturn position (Month 12) on the revenue and capital budget for the financial year 2011/12.

11.2 **RESOLVED** - That the Committee notes the report.

12. UNAUDITED STATEMENT OF ACCOUNTS 2011/12

- 12.1 The Committee considered a report of the Director of Finance in relation to the Statement of Accounts 2011/12. The report presented the unaudited Statement of Accounts for 2011/12 for information which had not currently been audited by the external auditor. The Annual Governance report was expected at the September meeting of the Committee on the conclusion of the audit of the 2011/12 financial statements.
- 12.2 Councillor Janio asked a question in relation to the valuation of heritage assets, and it was explained that the valuations related to insurance valuations and were like to be higher than - and not reflect – the market value.
- 12.3 **RESOLVED** - That the Committee note the Statement of Accounts for 2011/12 and note that these are subject to audit.

13. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2012/13

- 13.1 The Committee considered a report of the Director of Finance in relation to the review of the effectiveness of the system of internal audit for 2011/12. The Head of Audit & Business Risk informed the Committee this was a requirement and supported the Annual Governance Statement. The Head of Audit & Business Risk informed the Committee this was a very light touch review as new Internal Audit Standards were expected soon, and a full review would be carried out against these.
- 13.2 The Co-Chair, Councillor Hamilton, drew Members' attention to a small change to the Code of Practice detailed at paragraph 4.1 in the report.
- 13.3 **RESOLVED** – That the Committee:
- a) Considers the findings of the review of the effectiveness of the system of internal audit for 2011/12 and notes actions arising for minor improvement.
 - b) Note the conclusion of the review that the system of internal audit for Brighton & Hove City Council continues to be effective and operating in accordance with accepted professional practice. Further that the Council can place reliance on the system of internal audit for the purpose of its Annual Governance Statement.

14. AUDIT COMMISSION: PROGRESS REPORT 2012/13

- 14.1 The Committee considered a report of the Audit Commission which formed the 2011/12 progress report and briefing, and asked the Committee to review these two areas.
- 14.2 Councillor Ann Norman asked questions about the progress in relation to on-going problems in payroll. It was explained that the controls in the payroll system had been tested, and it had been confirmed they operated effectively; next the expenditure would need to be tested. The Council was taking all the necessary steps to resolve this matter, but it was understood that it could not be resolved straight away and would need ongoing work. The Co-Chair, Councillor Hamilton, asked that an update be provided at a future meeting.

14.3 **RESOLVED** – That the Committee to receive the 2011/12 external audit progress report and briefing and note the progress made.

15. **AUDIT COMMITTEE ANNUAL REPORT 2011/12**

15.1 The Committee considered a report of the Director of Finance in relation to the Audit Committee Annual Report 2011/12. The report provided a summary of the previous Audit Committee's performance and achievements during 2011/12.

15.2 **RESOLVED** – That the Committee:

- a) Agree the draft report at Appendix 1.
- b) Refer the report (incorporating any amendments and additions) to Full Council for approval.

16. **RISK MANAGEMENT PROGRAMMES - 2011/12 (OUTCOME) AND 2012/13 (PLANNED)**

16.1 The Committee considered a report of the Director of Finance in relation to 2011/12 outcomes and 2012/13 planned risk management programmes. The report provided an annual progress update against the approved annual Risk Management Programme to assist the Committee in relation to the effectiveness of risk management and internal control.

16.2 Councillor Follett asked if the changes to the governance structure would affect the programme for next year, and it was explained that the changes would affect the renewal of the strategy which would be considered at the September meeting of the Committee.

16.3 **RESOLVED** – That the Committee:

- a) Note progress against the annual Risk Management programme 2011/12 (appendix 1).
- b) Approve the annual Risk Management programme 2012/13 (appendix 2).

17. **ANNUAL INTERNAL AUDIT REPORT AND OPINION 2011/12**

17.1 The Committee considered a report of the Director of Finance in relation to the Internal Audit Annual Report and Opinion 2011/12. The report provided an opinion of the effectiveness of the Council's control environment comprising governance, risk management and internal control as a contribution to the economic efficiency and effective use of resources.

17.2 The Head of Audit & Business Risk informed the Committee that the Opinion is a key element of assurance for the Annual Governance Statement.

17.3 **RESOLVED** – That the Committee:

- a) Note the contents of the report at Appendix 1 including the Head of Audit & Business Risk's Opinion for 2011/12 on the adequacy and effectiveness of the Council's control environment; and
- b) Note the internal audit coverage and any significant issues emerging.

18. STRATEGIC RISK REGISTER

- 18.1 The Committee considered a report of the Director of Finance in relation to the Strategic Risk Register. The report provided information for the Committee to review on the Strategic Risk register which was updated by the Strategic Leadership Board on 9 May 2012.
- 18.2 Councillor Follett noted that in the previous years report the risks had been assigned an owner, and this was helpful to understand how each one worked. It was agreed that the Committee would invite Strategic Directors to future meetings to discuss the risks that they had been assigned, and how they were being managed.
- 18.3 **RESOLVED** - That the Committee note the revised Strategic Risk Register (Appendix 1).

19. PART TWO MINUTES OF DECOMMISSIONED COMMITTEES

- 19.1 The Part 2 minutes of meeting of the Audit Committee on 24 April were noted.

20. BRIGHTON I360 DEVELOPMENT

- 20.1 As detailed in the Part 2 confidential report.

21. STRATEGIC RISK MANAGEMENT ACTION PLANS FOCUS

- 21.1 As detailed in the Part 2 confidential report.

22. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2011/12 – OUTCOMES OF INTERNAL AUDIT REVIEWS

- 22.1 As detailed in the Part 2 confidential report.

23. DRAFT ANNUAL GOVERNANCE STATEMENT 2011/12

- 23.1 The Committee considered a report of the Director of Finance in relation to the Annual Governance Statement 2011/12. The purpose of the report was to present to the Council's Annual Governance Statement 2011/12 for consideration and approval.
- 23.2 Councillor Ann Norman raised an issue on the transfer of public health functions to local authorities and the potential impact on Section 75 partnership arrangements. In response it was explained that work would be undertaken in the current financial year on areas such as financial risk sharing; however, from 2013/14 onwards the arrangements would need to be considered in the context a commissioning model, and currently the Council was awaiting further guidance to be published.

23.3 **RESOLVED** – That the Committee:

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

24. PART 2 ITEMS

24.1 **RESOLVED** – That the Part 2 items remain exempt from disclosure from the press and public.

The meeting concluded at 7.02pm

Signed

Chair

Dated this

day of

Subject: Complaints procedure
Date of Meeting: 25 September 2012
Report of: Monitoring Officer
Contact Officer: Name: **Brian Foley** Tel: **293109**
E-mail: brian.foley@brighton-hove.gov.uk
Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Localism Act 2011 has brought into effect fundamental changes to the regulation of Standards of Conduct for elected members. The Act requires the Council to adopt arrangements for dealing with complaints about a breach of the Code of Conduct by both Council and Parish Council Members. Those arrangements replace the previous process administered under the Standards Committee (England) Regulations 2008.
- 1.2 On 26 June 2012 Audit and Standards Committee approved a recommendation to refer to Council a revised and much simplified arrangement for dealing with complaints about member Conduct.
- 1.3 On 19 July 2012 Council approved the recommendation.
- 1.4 The purpose of this paper is to set out in greater detail the new arrangements for dealing with the investigation and hearing of complaints. The paper consists of a short covering report; the new procedures are set out in the Appendix.
- 1.5 The new arrangements provide a simplified process for dealing with complaints of misconduct and the actions which may be taken against a Member who is found to have failed to comply with the Code of Conduct.

2. RECOMMENDATIONS:

It is recommended that the Committee:

- 2.1 Adopt the arrangements for the investigation and hearing of complaints about Member conduct as set out in Appendix 1 and as illustrated in the flow chart in Appendix 2.

- 2.2 Report the adopted new arrangements to Council for information.
- 2.3 Instruct the Monitoring Officer to develop technical procedures for the investigation and hearing of complaints to be used in conjunction with the arrangements.
- 2.4 Instruct the Monitoring Officer to publicise the arrangements for the investigation and hearing of complaints by whatever means he considers appropriate.

3. RELEVANT BACKGROUND INFORMATION

- 3.1 The proposed arrangements for dealing with complaints about member conduct are set out in Appendix 1. The overall approach is to set out the broad principles. Subject to Audit and Standards Committee agreeing the recommendations above, the Monitoring Officer will develop technical procedures for carrying out investigations and hearings.

4. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 4.1 The recommendations are expected to result in a minor reduction in the cost of Investigations and hearings. The simplified process should reduce the overall cost of administering each case referred for investigation which could have been the subject of four panel hearings and a third tier tribunal appeal.

Finance Officer Consulted: Anne Silley Date: 24/08/12

Legal Implications:

- 4.2 The council's duty to put in place arrangements for investigating and determining allegations that a member has failed to comply with the council's code of conduct is provided for in section 28(6) of the Localism Act 2011.

The Localism Act does not prescribe what the arrangements should consist of, except as follows:

(i) the views of the Independent Person must be sought and taken into account before it determines an allegation it has investigated (section 28(7)); and

(ii) where the council finds that a member has failed to comply with the code, it may have regard to the failure in deciding whether to take action in respect of the member, and what action to take (section 28(11),

These requirements are included in the Arrangements proposed in Appendix 1.

Lawyer Consulted:

Oliver Dixon

Date: 30 August 2012

Equalities Implications:

- 4.3 There are no Equalities implications

Sustainability Implications:

- 4.4 There are no Sustainability implications

Crime & Disorder Implications:

- 4.5 There are no Crime and Disorder implications

Risk and Opportunity Management Implications:

- 4.6 There are no Risk and Opportunity Management implications.

Corporate / Citywide Implications:

- 4.7 The new arrangements provide the opportunity to be transparent about the conduct of our members and therefore help to enhance reputation for honesty and openness.

SUPPORTING DOCUMENTATION

Appendices:

1. Arrangements for the Investigation and Hearing of Complaints
2. Flow chart describing the Investigation and Hearing of Complaints

Documents In Members' Rooms

1. None

Background Documents

1. The Localism Act 2011, Part 1, Chapter 7

Appendix 1

Brighton & Hove City Council and Rottingdean Parish Council arrangements for dealing with allegations of breaches of the Members' Code of Conduct under the Localism Act 2011

1 Context

These "Arrangements" set out how a person may make a complaint that an elected or co-opted Member of Brighton & Hove City Council (the 'City Council') or Rottingdean Parish Council (the 'Parish Council') has failed to comply with that authority's Code of Conduct, and sets out how the City Council will deal with allegations of a failure to comply with either authority's Code of Conduct.

2 The Code of Conduct

The City Council and Parish Council have each adopted a Code of Conduct for its respective Members which is available for inspection on each authority's website and on request from Reception at Brighton Town Hall, or from the Standards and Complaints Team

3 Making a complaint

If a person wishes to make a complaint, they should write to

The Monitoring Officer
c/o Standards and Complaints
Brighton & Hove City Council
Grand Avenue
Hove
BN3 2LS

Or email

Complaints@brighton-hove.gov.uk

Or use our web form

www.brighton-hove.gov.uk/complaints

The Monitoring Officer is a senior officer of the City Council who has statutory responsibility for maintaining the register of Members' interests and who is responsible for administering the system in respect of complaints of Member misconduct.

To ensure that we have all the information which we need to be able to process a complaint, the complainant is asked to provide us with their name and a contact address or email address, so that we can acknowledge receipt of the complaint and keep them informed of its progress. If a person wants to keep their name and address confidential, they are asked to explain their reasons in the space provided on the complaint form. The City Council does not normally investigate anonymous complaints, unless there is a clear public interest in doing so.

We will acknowledge receipt of the complaint as soon as possible and within a maximum of 5 working days of receiving it, and will keep the person informed of the progress of their complaint.

The Member against whom the complaint is directed will be notified that a complaint has been received as soon as possible and within a maximum of 5 working days of receiving it unless the Monitoring Officer considers that doing so may prejudice any investigation into the complaint.

The Council aims to complete the complaint process within a maximum of three months from receipt of the complaint.

4 Will the complaint be investigated?

The Monitoring Officer will review every complaint received and, after consultation with the Independent Person, take a decision as to whether it merits formal investigation. This decision will normally be taken within 10 working days of receipt of the complaint. The Monitoring Officer will then inform the complainant and the Member of his decision and the reason for that decision.

Where the Monitoring Officer requires more information to help him reach a decision, he may ask for additional comments from the complainant and may request information from the Member against whom the complaint has been made.

The Monitoring Officer may decide a complaint does not merit investigation if:

- It is about someone who is no longer a member of the Council.
- The complaint if proven could not amount to a breach of the code.
- The complaint is vexatious or frivolous
- It would not be in the public interest to do so, which could for example include cases where:
 - There has been a long delay before the complaint was made.

- The complaint appears to be minor, politically motivated, malicious or not sufficiently serious to warrant further action.

This list is not intended to be exhaustive and the Monitoring Officer may decide that a complaint does not merit formal investigation for any other reason which appears to him/her to be relevant.

The Monitoring Officer may seek to resolve the complaint informally, without the need for a formal investigation. An informal resolution may involve the Member accepting that his/her conduct was unacceptable and offering an apology, or some other action on their part. Where the Member makes a reasonable offer of informal resolution, but the complainant is not willing to accept that offer, the Monitoring Officer will take account of this in deciding whether the complaint merits formal investigation.

The Monitoring Officer has the discretion to refer the decision as to whether a complaint merits an investigation to the Standards Panel if it appears appropriate to do so.

If the complaint identifies conduct which, on the face of it, is a criminal offence or regulatory breach by any person, the Monitoring Officer may refer the matter to the Police or and appropriate regulatory body as well as or in lieu of an investigation by the City Council.

5 How is the investigation conducted?

If the Monitoring Officer decides that a complaint merits formal investigation, he will appoint an Investigating Officer, who may be another senior officer of the City Council, an officer of another local authority or an external investigator. The Investigating Officer will have discretion as to how the investigation is carried out.

The Investigating Officer would normally ask the complainant and the Member to provide their explanation of events, and will identify what documents he/she needs to see and who he/she needs to interview. In exceptional cases, it may be appropriate to keep the identity of the complainant, witnesses, or key documents confidential where disclosure might prejudice the investigation.

The Investigating Officer will produce a draft report and will send copies of that draft report, in confidence, to the complainant and to the Member concerned, to give both an opportunity to identify any matter in that draft report which requires more consideration.

Having received and taken account of any comments on the draft report, the Investigating Officer will send his/her final report to the Monitoring Officer. If the Monitoring Officer is not satisfied that the investigation has been conducted properly, he may ask the Investigating Officer to reconsider his/her report.

Copies of the final report will be sent to the complainant and the member concerned.

6 What happens after the Monitoring Officer has received the Investigating Officer's report.

The Monitoring Officer will send the matter for a hearing before the Standards Panel.

Hearing

The Monitoring Officer will refer the Investigating Officer's report to the Standards Panel which will conduct a hearing before deciding whether the member has failed to comply with the Code of Conduct and, if so, whether to take any action in respect of the member.

The Monitoring Officer will require the Member to give his/her response to the Investigating Officer's report, to identify what is likely to be agreed and what is likely to be in contention at the hearing. The Chair of the Standards Panel (after consulting with the Monitoring Officer) may issue directions as to the manner in which the hearing will be conducted.

The Standards Panel may conclude that the member did not fail to comply with the Code of Conduct, and so dismiss the complaint.

If the Standards Panel concludes that the member did fail to comply with the Code of Conduct, the Chair will inform the member of this finding and the Standards Panel will then consider what action, if any, the Standards Panel should take as a result of the member's failure. In doing this, the Standards Panel will give the member an opportunity to make representations to the Panel, but will then decide what action, if any, to take in respect of the matter.

7 What action can the Standards Panel take where a member has failed to comply with the Code of Conduct?

7.1 The actions the Standards Panel may take in relation to a member of the City Council who has failed to comply with its code of conduct include –

- (i) Publishing its findings in respect of the member's conduct;
- (ii) Writing a formal letter to the councillor found to have breached the code;
- (iii) Reporting its findings to Council for information;
- (iv) Formal censure;

- (v) Recommending to the member's Group Leader that he/she be removed from any or all committees or sub-committees of the Council;
- (vi) Recommending the Monitoring Officer to offer appropriate training.

7.2 Where the Standards Panel finds that a member of the Parish Council has failed to comply with its code of conduct, the Standards Panel may make a recommendation to the Parish Council as to whether to take action in relation to the member, and what action to take. However, the actual decision as to whether to take action against the member, and what action to take, rests with the Parish Council.

Should the Parish Council decide to take action against a member who has failed to comply with its code, the actions available to them include those listed in 7.1 above except for items (iii) and (v).

7.3 The Standards Panel has no power to suspend or disqualify the Member or to withdraw members' basic or special responsibility allowances.

8 What happens at the end of the hearing?

At the end of the hearing, the Chair will state the decision of the Standards Panel as to whether the Member failed to comply with the Code of Conduct and as to any actions which the Standards Panel resolves to take (or recommends that the Parish Council take in relation to a Parish Council member).

As soon as reasonably practicable thereafter, the Monitoring Officer shall prepare a formal decision notice in consultation with the Chair of the Standards Panel, send a copy to the complainant and the member, make that decision notice available for public inspection and report the decision to the next convenient meeting of the Audit and Standards Committee.

9 Who are the Standards Panel?

The Standards Panel is a Sub-Committee of the Council's Audit and Standards Committee. Membership will consist of three elected members with one from the Green party and one each from Conservative and Labour groups, and an Independent Person who will attend the meeting in their statutory advisory capacity. Its membership will be drawn from Audit and Standards Committee and will be based on member availability. The Panel will elect one of its members to act as Chair.

The Independent Person is invited to attend all meetings of the Standards Panel and his or her views are sought and taken into consideration before the Standards Panel takes any decision on whether

the Member's conduct constitutes a failure to comply with the Code of Conduct.

10 Who is the Independent Person?

The Independent Person is a person who has applied for the post following advertisement of a vacancy for the post, and has been appointed by a positive vote from a majority of all the members of Council. The statutory role of the Independent Person is set out in section 28(7) of the Localism Act.

11 Revision of these arrangements

The Audit and Standards Committee may by resolution agree to amend these arrangements, and has delegated to the Monitoring Officer the right to depart from these arrangements where he considers that it is expedient to do so in order to secure the effective and fair consideration of any matter.

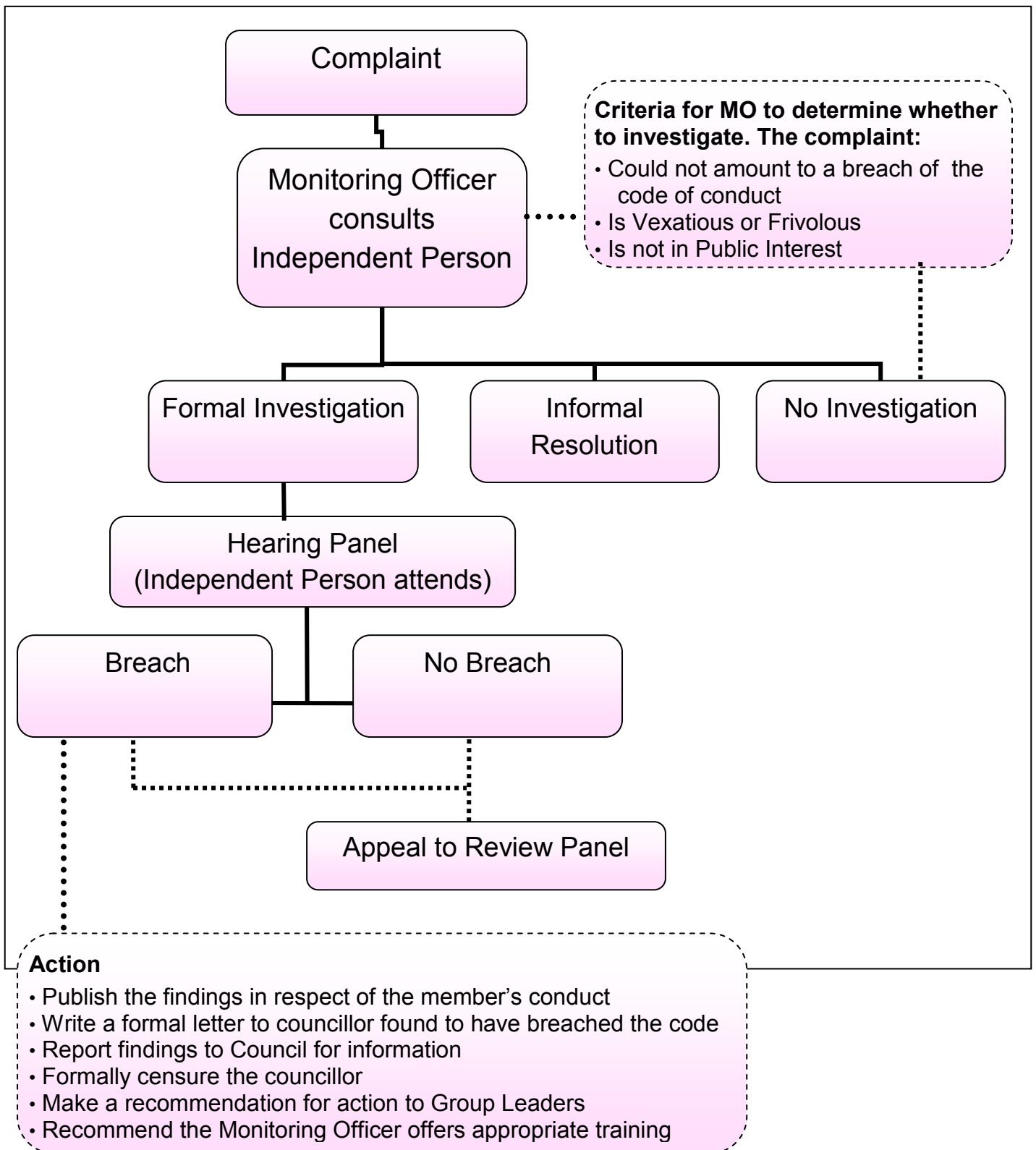
12 Appeals

There is a right of appeal for the complainant and for the member against a decision of the Standards Panel. This is without prejudice to the right of the complainant to refer the matter to the Local Government Ombudsman.

The complainant or member should write to the Monitoring Officer, stating they wish to appeal the Standards Panel decision, giving their reasons for doing so. A request for an Appeal must be received within 10 working days of the original Hearing.

A Standards Panel composed of different members to the one that heard the original case will consider the case. The Panel may dismiss or uphold the appeal. If they uphold the appeal they may substitute the original decision with a new decision on the proviso that the complaint was properly investigated. If the Panel considers that essential information was not included in the investigation they may refer the complaint back to the investigation stage.

Appendix 2 - Standards Complaints Procedure



AUDIT & STANDARDS COMMITTEE

Agenda Item 32

Brighton & Hove City Council

Subject: Complaints Update
Date of Meeting: 25 September 2012
Report of: Monitoring Officer
Contact Officer: Name: **Brian Foley** Tel: **293109**
E-mail: brian.foley@brighton-hove.gov.uk
Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Localism Act 2011 has required the Council to adopt new arrangements for dealing with complaints about a breach of the Code of Conduct by Council and Parish Council Members. Those arrangements replace the previous process administered under the Standards Committee (England) Regulations 2008.
- 1.2 The process for dealing with complaints of misconduct and the actions which may be taken against a Member under the new arrangements are the subject of a separate paper.
- 1.3 This paper updates the Audit and Standards Committee on allegations about member conduct following the last report to Audit and Standards Committee on 26 June 2012. Cases which have been closed are summarised in Appendix 1.

2. RECOMMENDATION:

- 2.1 That the Committee note the report.

3. RELEVANT BACKGROUND INFORMATION

- 3.1 The timescales for dealing with complaints as set out in the new arrangements are as follow:
 - Complaints about Member conduct should be acknowledged as soon as possible and within a maximum of 5 working days.
 - The complainant should be informed within 10 working days how the matter will be dealt with.

- The whole complaint process should be completed within 65 working days from the date of receipt to date of hearing.
- 3.2 The Transitional Arrangements set out under the Localism Act required that any complaint dealt with under the Standards Committee (England) Regulations 2008 which had not been concluded by 01 July 2012 should be dealt with under the new Localism Act arrangements.
- 3.3 There are two complaints which fall into this category; the outcome of one case is recorded in the Appendix. The second case has yet to be concluded.
- 3.4 There has been one complaint received after the Standards Regulations ceased to operate but before the new arrangements could be adopted. The outcome of this complaint is also recorded in the Appendix.

4. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 4.1 The costs of complaints in terms of administration and compensation are met within the allocated budget.

Finance Officer Consulted: Anne Silley Date: 24 August 2012

Legal Implications:

- 4.2 The report is for noting only. The statutory framework under which complaints about Member conduct are dealt with are covered in the body of the report. The transitional arrangements referred to in paragraph 3.2 above are set out in the Localism Act 2011 (Commencement No. 6 and Transitional, Savings and Transitory Provisions) Order 2012: SI 2012/1463

Lawyer Consulted: Oliver Dixon Date: 30 August 2012

Equalities Implications:

- 4.3 There are no Equalities implications

Sustainability Implications:

- 4.4 There are no Sustainability implications

Crime & Disorder Implications:

- 4.5 There are no Crime and Disorder implications

Risk and Opportunity Management Implications:

- 4.6 There are no Risk and Opportunity Management implications

Corporate / Citywide Implications:

- 4.7 There are no Corporate or Citywide implications

SUPPORTING DOCUMENTATION

Appendices:

1. Summary of the decisions for complaints that have been concluded.

Documents In Members' Rooms

1. None

Background Documents

1. None

Appendix 1 - Summary of the decisions for complaints that have been concluded.

Audit & Standards Case	1
S&C Reference Number	BHC-005373
Date Received	11/03/2011
Days to Acknowledge	1 day
Days for Monitoring Officer to reply	
Complainant	Member of the Public
Summary of Complaint	
<p>The Complaint concerned an allegation about inappropriate dancing at the end of a Council Budget Meeting.</p>	
Section of Code of Conduct that applies	
<p>Paragraph 3(1) You must treat others with respect Paragraph 5 You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or authority into disrepute.</p>	
Summary of / Reason for Decision	
<p>The original Investigating Officer was unable to reach a conclusion on the matter. A second Investigating Officer found there was insufficient evidence to substantiate the allegation. The complainant could not be certain that the person she observed dancing in the way described was the councillor named in the complaint. The councillor accused of the misconduct strenuously denied the allegation and gave a clearly reasoned explanation why it could not have been her. There was circumstantial evidence to suggest that the inappropriate dancing had occurred however it was apparent that the councillor referred to in the allegation was not involved in the incident. The identity of the councillor who had been observed to be dancing inappropriately has not been revealed.</p> <p>Both the complainant and the Member were satisfied that the matter should be brought to a close. The Monitoring Officer concluded that this had been a case of mistaken identity and it would not be in the public interest to try to pursue the matter any further and closed the case.</p>	

Audit & Standards Case	3
S&C Reference Number	BHC-009244
Date Received	30/07/2012
Days to Acknowledge	1 day
Days for Monitoring Officer to reply	10 days
Complainant	Member of the Public
Summary of Complaint	
<p>The complainant stated that a councillor was in breach of contract with the member's party having been the sole councillor to vote against gay marriage. The complainant said that he found the members behaviour highly offensive.</p>	
Section of Code of Conduct that applies	
<p>There was no Code of Conduct in place at time statement was made.</p>	
Summary of Decision	
<p>The Monitoring Officer decided the complaint should not be investigated as a potential breach of the member's code of conduct.</p> <p>At the time the councillor made the statement, the Council had not adopted the new code of conduct. There was therefore no code of conduct in force and consequently it would not be possible to conclude that the member had breached a code of conduct that applies to members.</p> <p>Secondly, The Council, as a public authority, is required to comply with the statutory requirements in the Human Rights Act 1998. Article 10 of schedule 1 to the Act provides, under the title of "Freedom of expression:"</p> <p>"Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers."</p> <p>The Monitoring Officer decided that the complaint should not be referred for investigation. No views were expressed either way on the rightness or wrongness of the statements made by the member. The Monitoring Officer's role was simply to look at the complaint in the context of the rules then in force as they apply to Members, including the provisions of the Human Rights Act.</p>	

Subject:	Rottingdean Parish Council: adoption of new code of conduct		
Date of Meeting:	25 September 2012		
Report of:	Monitoring Officer		
Contact Officer:	Name:	Oliver Dixon	Tel: (01273) 291512
	Email:	oliver.dixon@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 On 26 June 2012 the Audit & Standards Committee instructed the Monitoring Officer to consult with Rottingdean Parish Council over the new standards regime required by the Localism Act 2011, and to report back to the Committee with details of the code of conduct adopted by the Parish Council in response, including arrangements for the register of Parish Council members' interests.
- 1.2 This report fulfils that instruction.

2. RECOMMENDATIONS:

- 2.1 That the Committee note the report.

3. RELEVANT BACKGROUND INFORMATION:

- 3.1 Under the Localism Act 2011, Brighton & Hove City Council (the 'City Council') has a role to play in the new standards regime applicable to Rottingdean Parish Council (the 'Parish Council'), namely:
 - (i) in assisting the Parish Council interpret and apply the code of conduct, where the code they adopt is the same as that adopted by the City Council;
 - (ii) in establishing and maintaining a register of interests of Parish Council members; and
 - (iii) in investigating and making decisions about allegations of a breach by a Parish Council member of the Parish Council code of conduct.

Items (ii) and (iii) are statutory duties.

- 3.2 In accordance with Audit & Standards Committee instructions, the Monitoring Officer worked with the Parish Council Chairman on the implications of the new standards regime, including the choices available to the Parish Council as regards the adoption of a new code of conduct and the categories of interests contained in the code.
- 3.3 This culminated in a report by the Monitoring Officer to the Parish Council for consideration by their members on 6 August 2012. The report (but not its appendices) is reproduced at **Appendix 1** for information.
- 3.4 The Monitoring Officer's key recommendations were for the Parish Council to adopt the same code and amendment to standing orders as adopted by the City Council on 19 July 2012. The amended standing orders require a member who has declared a disclosable pecuniary interest in an item to leave the meeting room while the matter is debated and voted upon.
- 3.5 The code of conduct recommended to the Parish Council differed from that adopted by the City Council in one respect only: the paragraph on interests arising in relation to overview and scrutiny was removed from the Parish Council version, as overview and scrutiny is not a parish council function.
- 3.6 The Monitoring Officer and another City Council lawyer attended Parish Council members shortly before the start of their full meeting on 6 August 2012, to present the report and to answer queries particularly relating to the legal definition of certain disclosable pecuniary interests as set out in the Regulations¹. Members were also given a copy of DCLG's guide for councillors 'Openness and transparency on personal interests' published on 2 August 2012.
- 3.7 At their ensuing meeting, the Parish Council agreed the Monitoring Officer's recommendations, thus bringing a new code of conduct and an amended set of standing orders into force at the close of business. For reference, the relevant extract from the Parish Council minutes is set out in **Appendix 2**.
- 3.8 The code adopted by the Parish Council requires their members to declare not only disclosable pecuniary interests, a legal duty in any event, but certain other disclosable interests. Parish Council members have duly completed their declaration of interests forms and returned them to the Monitoring Officer. This will enable the Monitoring Officer to discharge his statutory duty of:
- (i) making a copy of the Parish Council register of interests available for inspection at a place in Brighton & Hove (the chosen location being Kings House);
 - (ii) publishing the Parish Council register of interests on the City Council website; and
 - (iii) providing the Parish Council with a copy of the register, to enable it to publish the register on its own website.

¹ The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012

- 3.9 The Parish Council will, in accordance with the law, publicise the adoption of its new code of conduct. To complement this, the City Council has made a brief statement on its own website about the Parish Council having adopted a new code.

4. CONSULTATION

- 4.1 The Monitoring Officer and his team briefed Parish Council members both in person and with a full report and other documentation before their meeting on 6 August 2012 to help them reach an informed decision about their duties and options under the standards provisions in the Localism Act.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The costs incurred by the Monitoring Officer in briefing and filing a report to the Parish Council, and in discharging his statutory duties in relation to the Parish Council register of members interests, are covered by the Legal Services revenue budget for 2012/13.

The cost of any investigation and assessment carried out by the Monitoring Officer relating to allegations of a breach of the Parish Council code of conduct would be met from the Legal Services revenue budget. The Monitoring Officer has assessed the likelihood of an investigation of this nature being required as low.

Finance Officer Consulted: Anne Silley

Date: 14/08/12

Legal Implications:

- 5.2 These are addressed in the body of the report.

Lawyer Consulted: Oliver Dixon

Date: 13/08/12

Equalities Implications:

- 5.3 None

Sustainability Implications:

- 5.4 None

Crime & Disorder Implications:

- 5.5 None

Risk and Opportunity Management Implications:

- 5.6 None

Public Health Implications:

5.7 None

Corporate / Citywide Implications:

5.8 None

SUPPORTING DOCUMENTATION

Appendices:

1. Monitoring Officer report of 6 August 2012 to Rottingdean Parish Council
2. Minutes of 6 August 2012 Parish Council meeting. (Relevant extract only).

Background Documents

1. Part 1, chapter 7, of the Localism Act 2011
2. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012. Statutory Instrument no. 2012/1464.
3. 'Openness and transparency on personal interests – a guide for councillors', published by the Department for Communities and Local Government on 2 August 2012.

Rottingdean Parish Council	
---------------------------------------	--

Subject:	Standards Update	
Date of Meeting:	6 August 2012	
Report of:	Monitoring Officer of Brighton & Hove City Council	
Contact Officers:	Abraham Ghebre-Ghiorghis	Tel: 291500
	abraham.ghebre-ghiorghis@brighton-hove.gov.uk	
	Oliver Dixon	Tel: 291512
	oliver.dixon@brighton-hove.gov.uk	

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Localism Act 2011 makes fundamental changes to the regulation of standards of conduct for elected Members. Although these changes came into force was on 1 July 2012, regulations detailing the commencement of the new arrangements and the registration of interests for Members and co-opted Members were not made until 8th June 2012, presenting local authorities with a difficult timetable for implementation.
- 1.2 At its meeting on 26 June 2012, the Audit & Standards Committee of Brighton & Hove City Council (the 'City Council') recommended (i) the adoption of a new code of conduct for its members, and (ii) a new complaints procedure for dealing with allegations that a member has failed to comply with the code.
- 1.3 These recommendations, together with the proposed wording of the new code and complaints procedure, were put to a meeting of the full City Council on 19 July 2012 and both were approved.
- 1.4 The Audit & Standards Committee instructed the City Council Monitoring Officer to consult with Rottingdean Parish Council (the 'Parish Council') and report back with details of the code of conduct they had adopted under the new standards regime, and the arrangements made for the register of interests of members of the Parish Council.
- 1.5 This report updates the Parish Council on the requirements of the new regime, and proposes a new code of conduct for Members and a new complaints procedure, based on the requirements of the Localism Act and the new Regulations.

2. Recommendations

It is recommended that the Parish Council:

- 2.1 Adopts the new Code of Conduct for Parish Council Members, as set out at **Appendix 1**;
- 2.2 Agrees to publicise its adoption of the new code on the Parish Council website;
- 2.3 Notes the simplified Complaints Procedure as set out at **Appendix 2**;
- 2.4 Agrees the revised wording of standing orders 38-40 to reflect the new regime, as set out at **Appendix 3**;
- 2.5 Notes the requirement to publish its register of interests on the Parish Council website, on receipt of relevant data from the Monitoring Officer;
- 2.6 Ensures that each of its members completes the declaration of interests set out at **Appendix 4** and returns it to the Monitoring Officer, via the Clerk, by 31 August 2012.

3. Code of Conduct

- 3.1 Under the Localism Act 2011 ('the Act'), the Parish Council must adopt a code dealing with the conduct that is expected of members and co-opted members of the Parish Council when they are acting in that capacity.
- 3.2 The Parish Council's new code of conduct must, when viewed as a whole, be consistent with the following seven principles:-
 - Selflessness
 - Integrity
 - Objectivity
 - Accountability
 - Openness
 - Honesty
 - Leadership
- 3.3 The Parish Council is free to decide its own code. It has the option of adopting the same code of conduct adopted by the City Council or developing and adopting a different code, subject to complying with the above principles and the statutory requirements regarding disclosable pecuniary interests.
- 3.4 Historically, the Parish Council code has mirrored that of the City Council, with minor variations to reflect the different range of functions performed by the Parish Council, and it is recommended that this approach be taken again in the interests of consistency. Doing so also ensures that issues relating to the code considered from time to time by the City Council's Audit & Standards Committee and Standards Panels apply equally to the Parish Council.

- 3.5 A new code of conduct for the City Council was recommended by the Audit & Standards Committee on 26 June 2012 and adopted by the City Council on 19 July 2012. The wording of this code, again adapted to render it specific to the Parish Council, is attached at **Appendix 1**.
- 3.6 The key change from the current code that all Members will need to be aware of relates to the disclosure of interests in Part 2 of the Code. The concepts of personal and prejudicial interests are replaced with 'Disclosable Pecuniary Interests' (DPIs) and 'Other Disclosable Interests'.
- 3.7 DPIs are defined in the Disclosable Pecuniary Interests Regulations 2012, and a member's failure to comply with the requirements is a criminal offence. A DPI must be registered or declared at the meeting and a Member may not participate in any discussion or vote taken on that matter at a meeting.
- 3.8 The categories of DPI included in the City Council's new code (at Part 2 Section 8) are taken directly from the new Regulations to ensure clarity for Members in relation to their legal obligations.
- 3.7 In order to ensure that there are no allegations of bias or undue influence, the City Council has amended its Standing Orders to provide that a Member with a DPI leave the room for that item; a suffix to paragraph 10 of the City Council's code reflects this provision. Accordingly, it is recommended that the Parish Council make a corresponding amendment to its own Standing Orders 38-40; the revised text is produced at Appendix 3, for adoption.
- 3.8 The Act requires local authorities, including parish councils, to make provision in its code and its register for both pecuniary and non-pecuniary interests. The latter category is not further defined in law, and the City Council has chosen to classify these as 'Other Disclosable Interests'. These are interests that are not DPIs and do not therefore carry criminal sanctions. This category broadly picks up what was covered by the old category of personal interests, but with a narrower scope to be consistent with the new approach to the Code. 'Other disclosable interests' must be disclosed at the meeting but there is no requirement not to participate or to leave the meeting.
- 3.9 The Parish Council has the option of replicating the City Council's category of 'other disclosable interests' in its code and register, or defining its own category of non-pecuniary interests. Appendices 1 and 4 have been drafted on the assumption that the Parish Council will follow the form adopted by the City Council. If the Parish Council wish to devise its own category of non-pecuniary interests, these appendices will need amending accordingly.
- 3.10 Throughout the new disclosure of interests provisions, the definition of a 'relevant person' is much narrower than in the previous code and applies only to a spouse or civil partner or someone a member is living with as if they are a spouse or civil partner. (The previous provisions applied to any family member or 'close associate' and their employers).

3.11 Dealing with misconduct complaints

- 3.12 The Act requires the City Council to make arrangements for investigating and deciding on complaints about a breach of the code by City Council and Parish Council members.
- 3.13 The City Council has replaced the old process, which was long-winded and cumbersome, with a simplified and shortened version which, among other benefits, enables the Monitoring Officer, in consultation with the Independent Person, to make an initial consideration as to whether a complaint requires investigation.
- 3.14 On 19th July 2012 the City Council adopted the revised complaints procedure and associated principles set out at Appendix 2, which the Parish Council is invited to note.
- 3.16 City Council officers are developing the procedures that accompany the new complaints process, and these will be presented to the Audit & Standards Committee in September 2012, for consideration.
- 3.17 If a complaint is made about an alleged breach of the code by a Member or co-opted member of the Parish Council, it is the responsibility of the City Council to investigate and determine the complaint. Where a breach is determined to have occurred, it is for the Parish Council to decide whether to take action and what action to take.
- 3.18 Where a failure is found, the range of actions the Parish Council can take is limited and must be directed at securing the continuing ability of the Parish Council to discharge its functions effectively. In practice, this can include the following:-
- Formal letter to the Councillor found to have breached the Code;
 - Press release/other publicity.
- 3.19 A failure to register or declare, without reasonable excuse, Disclosable Pecuniary Interests is a criminal offence under the Act and a matter for police investigation rather than for the City Council's complaints process. The Magistrates Court is empowered, on conviction, to impose a maximum level 5 fine (currently £5,000) and an order disqualifying the person from being a Member of the relevant authority for up to five years.

3.20 Independent Person

- 3.21 The Act requires the City Council to appoint at least one independent person to advise the authority in relation to complaints of a breach of the code. In addition, a member or co-opted member of the Parish Council whose conduct is the subject of a complaint relating to the code, may seek the view of the independent person.

3.22 The Monitoring Officer is currently advertising a vacancy for the appointment of two independent persons.

3.23 Register of Interests

3.24 It is the responsibility of the Monitoring Officer to establish and maintain a register of interests of members and co-opted members of the Parish Council.

3.25 To enable him to comply, members of the Parish Council are requested to complete the declaration of interests form at Appendix 4 and send it to the Monitoring Officer by 31st August 2012.

3.26 On receipt of completed declarations, the Monitoring Officer must:

- (i) make a copy of the Parish Council's register of interests available for inspection at a location in Brighton & Hove at all reasonable hours; and
- (ii) publish the register on the City Council's website.

3.27 The Parish Council must publish its register of interests on its own website, using data made available to it by the Monitoring Officer.

3.28 Publicity

3.29 The Act requires the Parish Council to publicise its adoption of a new code "in such manner as it considers is likely to bring the adoption to the attention of persons who live in its area".

3.30 The City Council will publicise the adoption on its website (www.brighton-hove.gov.uk), but it is recommended that the Parish Council does so on its website too.

3.31 Audit & Standards Committee

3.32 One of the functions of the City Council's Audit & Standards Committee is to advise both the City Council and Parish Council on their codes of conduct and the arrangements for investigating and determining complaints about a breach of these codes. Whenever the Committee considers an item of relevance to the Parish Council, a member of the Parish Council is welcome to attend the meeting, and may advise the Committee at the invitation of the Chairman.

3.33 Details of the Committee's meeting dates and agendas can be found on the City Council's website via this link:
<http://present.brighton-hove.gov.uk/ieListMeetings.aspx?CId=699&Year=2012>

SUPPORTING DOCUMENTATION

Appendices:

1. Draft Code of Conduct
2. Complaints Procedure and General Principles
3. Revised wording for Standing Orders 38-40
4. Declaration of interests form

**Extract from Minutes of the Rottingdean Parish Council Meeting
held on 6 August 2012**

5. Adoption of the new Code of Conduct: Details had been circulated to all Parish Councillors and City lawyers Abraham Ghebre-Ghiorghis and Oliver Dixon had attended a pre-Council meeting to clarify the changes and answer questions. The adoption of the Code was proposed by Cllr Humphreys, seconded by Cllr Webzell and unanimously agreed. It was accepted that Councillors should continue to declare any interests at the start of each meeting even if such interests were on the Register.

6. Variation of Standing Orders: It was agreed that if a member had a pecuniary interest in an agenda item they should leave the meeting while this was discussed and not remain in the hall as a member of the public. The Variation of Standing Orders as published and circulated was proposed by Cllr Considine, seconded by Cllr Delow and unanimously agreed.

(Extract reproduced by kind permission of Rottingdean Parish Council)

Subject:	Annual Governance Report 2011/12		
Date of Meeting:	25 September 2012		
Report of:	Audit Commission		
Contact Officer:	Name:	Helen Thompson	Tel: 0844 798 1790
	Email:	helen-thompson@audit-commission.gov.uk	
Wards affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Annual Governance Report summarises the findings of the 2010/11 audit which is now substantially complete. It includes the key messages arising from the audit of the financial statements and the results of work undertaken to assess the Council's arrangements to secure value for money in its use of its resources.
- 1.2 I plan to issue an unqualified opinion on the financial statements.
- 1.3 I intend to issue an unqualified conclusion stating you have proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

2. RECOMMENDATIONS:

- 2.1 To consider the annual governance report and:
 - Take note of the adjustments to the financial statements which are set out in Appendix 3 of the report.
 - Agree to adjust the errors in the financial statements which management has declined to amend set out in Appendix 2 of the report or set out the reasons for not amending the errors.
 - Approve the letter of representation on behalf of the Council before the audit opinion and value for money conclusion are given. A draft of the letter of representation is included at Appendix 4 of the report. This contains management's reasons for not adjusting errors in the financial statements set out at Appendix 2 of the report.
 - Agree your response to the proposed action plan included at Appendix 6 of the report.

Annual governance report

Brighton & Hove City Council

Audit 2011/12



Contents

Key messages	3
Before I give my opinion and VFM conclusion	5
Financial statements	6
Value for money	22
Fees	28
Appendix 1 – Draft independent auditor’s report	29
Appendix 2 – Uncorrected errors	33
Appendix 3 – Corrected errors	35
Appendix 4 – Draft letter of management representation	36
Appendix 5 – Glossary	39
Appendix 6 – Action plan	42

Key messages

This report summarises the findings from my 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at 25 September 2012 I expect to issue an unqualified audit opinion.

You continue to produce good quality draft financial statements in accordance with statutory deadlines and your internal timetable. The financial statements submitted for audit were complete, internally consistent and compliant with extant accounting and disclosure requirements. This is a result of effective closedown processes and arrangements to produce and quality review the draft financial statements prior to submission for audit. The financial statements were supported by good quality working papers and I have identified only a relatively small number of errors and other issues as part of my work.

Your internal financial control arrangements remain sound except for the control environment within your payroll system. I am satisfied risks caused by the weaker control environment in payroll are recognised by both management and the Audit & Standards Committee. There has been a clear focus throughout the year on improving the payroll control environment. However, some actions that could help improve internal control, for example reducing the relatively high level of complexity of the Council's payroll, cannot be quickly or easily achieved.

Value for money (VFM)

My detailed work to inform my value for money conclusion is now complete. I intend to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

You are a high spending Council compared to your nearest neighbours although your spending is reducing at a slightly quicker rate than average. Available data also suggests you have high unit costs relative to others. A number of your service areas with higher unit costs are where you spend a large proportion of your total budget. I am satisfied you have adequate arrangements to be able to understand, assess and improve the value for

money you deliver. Your systems thinking initiative in revenues and benefits administration provides a good of example of where you have sought to better evaluate the specification of services currently delivered and focus the process of service delivery primarily on what is needed and most valued by the service user. You should seek to apply this type of evaluation more widely to assess what changes need to be made to deliver services with greater economy, efficiency and effectiveness.

You have sound financial plans which properly reflect both your priorities and the significant financial challenges you face. You have a good track record of delivery against those plans and you have shown that you are able to set and deliver value for money improvement programmes as part of your annual budget. However, given the scale of the medium term financial challenges you face it is likely you will need to think more radically about your current methods and level of service provision if you are to continue to deliver the value for money improvement needed to maintain your financial resilience.

Before I give my opinion and VFM conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am aware of one threat to independence that I am required to report to you. The spouse of one of my team working on the audit of the financial statements is a Council employee working in the highways department. I took steps to ensure that the member of my team did no work relating to the highways department or payroll to reduce this threat to an acceptably low level.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2011/12.

I ask the Audit & Standards Committee to:

- consider whether to adjust the errors in the financial statements I have identified that management has not amended, or set out the reasons for not amending the errors (appendix 2);
- take note of the adjustments to the financial statements included in this report (summarised at appendix 3);
- approve the letter of representation (appendix 4), on behalf of the Council before I issue my opinion and conclusion; and
- agree your response to the proposed action plan (appendix 6).

Financial statements

Your financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Errors in the financial statements

I detected a number of errors during the course of audit that I wish to draw to your attention. Corrected errors are summarised in Appendix 3. Where errors were detected in relation to a specific and significant risk, or where errors have led to agreed recommendations, they are considered in more detail in the main body of the report. Details of errors that management has declined to correct are set out in full in Appendix 2.

Significant risks and my findings

In planning my audit I identified significant and specific risks to my audit of your financial statements. I reported those risks to the Audit & Standards Committee in April 2012 within my 2011/12 Audit Plan. I report my findings against each of these risks in Table 1.

Table 1: Risks and findings

Significant risk	Finding
<p>Payroll</p> <p>Although controls within your Midland i-Trent payroll system are capable of giving material assurance, my work, and the work of internal audit, has highlighted significant weaknesses in the operation of controls. As in previous years I am therefore unable to rely on controls to gain assurance for my opinion on the financial statements.</p> <p>The weaknesses in the operation of controls within payroll create a risk of misstatement and fraud. This is recognised by both management and the Audit and Standards Committee, as those charged with governance. Action is being taken to address the control issues noted.</p> <p>As I was not able to rely on controls I tested payroll transactions to gain assurance for my audit opinion.</p> <p>Where I sought to test payroll transactions in 2010/11 difficulties in finding documentation and other evidence to support payments caused delays in my work. My team therefore worked with officers responsible for payroll to undertake as much of this testing as possible before the financial statements were produced.</p>	<p>My substantive testing of payroll expenditure identified errors in three of the 40 cases selected for detailed testing:</p> <ul style="list-style-type: none"> • in one case six hours worked that were supported by an authorised timesheet had not been paid to the employee; and • in two cases enhanced payments to staff were calculated at an incorrect rate of pay. In both cases this resulted in small value underpayments. <p>You have been unable to demonstrate that these errors were isolated. I have therefore extrapolated the errors to determine the likely impact on your financial statements. The value of the extrapolated error is £197,000. No amendments have been made to the financial statements to adjust for the extrapolated error.</p> <p>I also found weaknesses in supporting evidence to support payments made in a further four of the 40 cases selected for detailed testing:</p> <ul style="list-style-type: none"> • in one case overtime payments had been made on the basis of an unauthorised timesheet. You have subsequently provided evidence to support the payment made; and • in three cases there was no documentary evidence to support the pay-point and level of allowances paid to staff working in schools. In all cases you have subsequently provided evidence to support the level of payments made. <p>Although the work of my team was well supported by payroll staff there remained difficulties in locating records to evidence the expenditure tested. This was particularly true for Council staff working in schools where employees may have one substantive role, but also undertake additional duties at a different rate of pay.</p> <p>I have considered the totality of my findings in this area. Although I have concluded that there is no material impact on my opinion or evidence of fraud, my findings continue to show that the control environment within payroll remains weaker than for your other main financial systems. Given the high level of expenditure generated by the payroll</p>

system you need to continue to address this. I am satisfied that this is recognised by both management and the Audit & Standards Committee. There has been a clear focus throughout the last year on improving the control environment within the system, including extensive communication with your payroll system provider. However, some actions that could help improve internal control, for example reducing the relatively high level of complexity of the Council's payroll, cannot be quickly or easily achieved.

I have raised a recommendation on the need to continue to focus attention on the improvement of the control environment in payroll. I also consider this in the section of my report where I comment on significant weaknesses in internal control.

See recommendation 1

There were delays in the production of a year end data return of pensions contributions required by East Sussex Pension Fund (ESPF). This was caused by difficulties in extracting data accurately from the payroll system in the required format. These delays meant that ESPF was not able to operate some year end controls in a timely manner. The operation of these controls gives assurance over pensions data included in your financial statements. This in turn impacted adversely on the planned timetable for the auditor of ESPF to test the operation of these controls and provide me with assurance for my opinion on your financial statements. You recognise the need to improve the format, timeliness and accuracy of pensions data extracted from your payroll system and have been actively liaising with your payroll system supplier to address this.

See recommendation 2

Specific risks

Local Delivery Vehicle – Seaside Community Homes Limited.

You plan to transfer 499 council dwellings to Seaside Community Homes Limited (Seaside), a charitable company limited by guarantee. The transfer of properties began in November 2011 and therefore impacts on my 2011/12 responsibilities. The properties will be transferred under a 99-year lease of land and buildings with a break point exercisable by you after 40 years. Seaside will provide accommodation to tenants, manage the transferred properties, collect rents and undertake capital works on the properties. Seaside will pay cash sums to you as properties are transferred that you intend to recognise as capital receipts in your financial statements.

There are two main issues arising from this arrangement that impact on my 2011/12 responsibilities in relation to the financial statements:

- There may be a group relationship between you and Seaside that would require you to produce group financial statements in 2011/12.
- Accounting for the arrangement involves the exercise of judgement by management. In particular, the classification of the lease of land and buildings as a finance or operating lease has an impact on how you recognise receipts from Seaside for the transferred properties in your accounts.

Finding

Finance officers have liaised with my team over the course of the year and have shared proposals on how you intend to account for your relationship with Seaside in your 2011/12 financial statements. I have considered and challenged those proposals. This challenge has included detailed audit work on calculations, documentation and other supporting evidence.

Based on my work undertaken to consider the evidence supporting your proposals I am not minded to challenge your view that:

- there is no group relationship between the Council and Seaside. I have therefore accepted your conclusion that group accounts are not required in 2011/12;
- the lease of transferred buildings should be accounted for as a finance lease in your 2011/12 financial statements; and
- sums paid to the Council should be accounted for as capital receipts in your 2011/12 financial statements.

My team has also undertaken detailed audit work on a sample of properties transferred to Seaside to check that you have accounted for the transfer in accordance with your proposals. Specifically this work checked that the details of the transfer agree with the requirements of the over-arching agreement between the Council and Seaside and that the accounting adopted in practice accords with the accounting for finance leases required by the 2011/12 code of practice on local authority accounting (the Code).

There are no issues arising from this work that I wish to bring to your attention and I am satisfied that the accounting treatment adopted in your 2011/12 financial statements is materially consistent with the requirements of the Code.

As part of my work I identified a risk that your relationship with Seaside should be accounted for as a service concession arrangement under the international standard IFRIC 12. If applicable, this would require you to account for the assets transferred under the arrangement with Seaside on your own balance sheet. Your view is the

arrangement is not a service concession for the purposes of IFRIC 12. I have considered your representations to me and available supporting evidence and I am not minded to challenge your view. This is because it is reasonable to conclude that the Council does not have control over the price charged by Seaside for services delivered. I am therefore satisfied that your relationship with Seaside should not be accounted for as a service concession arrangement in your 2011/12 financial statements.

I also consider your relationship with Seaside as part of my work to give a value for money conclusion later in this report.

Falmer Academy

The new school for Brighton Aldridge Community Academy (BACA) was held on your 2010/11 balance sheet as an asset under construction.

The new school was completed and transferred to the possession of BACA in August 2011. It became operational as the main school premises in September 2011. The school land and buildings are subject to a long-term lease that will start on completion of the contract. The final legal execution of the lease will not now take place until the 2012/13 financial year. There is therefore some exercise of judgement required to determine how the asset and associated changes should be accounted for in your 2011/12 financial statements.

Finance officers liaised with my team over the course of the year and shared proposals on how you intended to account for BACA in your 2011/12 financial statements.

I am satisfied that you have accounted in accordance with your proposals and that the accounting treatment adopted complies with the requirements of the Code.

I identified one issue as part of my work this area which I wish to bring to your attention. Depreciation of approximately £294,000 was charged in the year on the new school. Your accounting policy is to not charge depreciation on a new asset until the year following acquisition or the year after the asset becomes operational. Depreciation charged on BACA in 2011/12 is therefore not in line with your stated accounting policy and is a non-trivial error in your financial statements. As this impacts on 2011/12 only you have decided not to correct this error in your financial statements – see Appendix 2. This finding only affects disclosures in your financial statement and has no overall impact on Council or Academy budgets.

The error arose because the main building expenditure was transferred from assets under construction into operational land and buildings in your asset register at the start of the financial year. This triggers an automatic depreciation calculation in the system. All other acquisitions and transfers from assets under construction were made at the end of the year to avoid a depreciation charge being triggered by the system.

You plan to complete Portslade Aldridge Community Academy (PACA) in 2012/13 and this will be accounted for in a similar way to BACA in your 2012/13 financial statements. It is therefore important that you avoid a similar error arising when PACA assets are

transferred from assets under construction into operational land and buildings on your asset register.

See **recommendation 3**

Waste management private finance initiative (PFI) – energy from waste facility

The energy from waste facility at Newhaven is now operational. Although accounting arrangements for the joint waste management PFI are well established specific entries will be needed to bring the facility on to your 2011/12 balance sheet.

As in previous years, I engaged a technical specialist to review the accounting for the joint waste management PFI in your 2011/12 financial statements. This work included specific consideration of the accounting entries to bring the energy from waste facility on to your balance sheet.

I am satisfied that the joint waste management PFI, including the new energy from waste facility at Newhaven, is correctly accounted for in your financial statements. Recognition of the energy from waste recycling facility on your 2011/12 balance sheet added approximately £48.5 million to the carrying value of your property, plant and equipment.

As part of my work to review PFI related entries to your accounts I identified a non-trivial error in the classification of expenditure relating to contingent rents in your consolidated income and expenditure statement. I am satisfied this has been corrected in your revised financial statements.

Housing Revenue Account (HRA) self-financing

Under self-financing you will be required to take a calculated share of the national HRA debt onto your balance sheet. In return you will no longer pay negative subsidy to the Department for Communities and Local Government. Although the new system of HRA self-financing will not start until 2012/13, borrowing of around £18 million will be secured and will come on to your balance sheet at the end of March 2012. There is a risk that this is not accounted for correctly in your financial

I am satisfied that you have correctly accounted for and clearly disclosed the impacts of changes required in preparation for the start of self-financing of the HRA in your 2011/12 financial statements.

Specific risks

statements.

Finding

Heritage assets

The 2011/12 code of practice on local authority accounting (the Code) adopts the requirements of FRS 30 Heritage Assets. As this is a new requirement, there is a risk that you may not be able to identify and account for all heritage assets within the time available.

A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that you hold and maintain principally for its contribution to knowledge and culture. This may include historical monuments, museum artefacts or works of art. You are now required to specifically identify and disclose such assets. You also may have to value and recognise assets meeting this definition on your 2011/12 balance sheet.

My work in this area included an evaluation of the management controls you have in place to identify and potentially value and recognise significant heritage assets. I also undertook testing to check that you have accounted for and disclosed heritage assets in accordance with FRS 30 and the Code.

You established sound processes and management controls for the identification and, where appropriate, valuation and recognition of heritage assets. I am satisfied that the heritage asset disclosures made in your financial statements are complete and comprehensive.

Recommendation

- R1** Continue to improve the internal control environment within the Midland iTrent payroll system as a matter of priority. In particular, ensure that all controls are operated consistently and evidence is retained to show that controls have been operated.
- R2** Produce the year end data return of pensions contributions required by East Sussex Pension Fund in a timely manner.
- R3** Ensure transfers from assets under construction into operational land and buildings are made on your asset register so that no depreciation is charged in accordance with your accounting policy.

Significant weaknesses in internal control

It is your responsibility to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether you have put adequate arrangements in place to satisfy yourselves that the systems of internal financial control are adequate and effective.

I have tested the controls of the Council only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

The following weaknesses in internal control are only those I have identified during the audit that are relevant to preparing the financial statements.

Table 2: Internal control issues and my findings

Description of weakness	Potential impact and management action
<p>Midland i-Trent payroll</p> <p>My work to document and walkthrough your Midland i-Trent payroll system confirmed that control weaknesses within the system have not yet been addressed. Although controls have been established that are capable of preventing and detecting material misstatement they are not operated consistently or insufficient evidence is retained to support the operation of the controls. I noted the following issues at the time of my review (January 2012):</p> <ul style="list-style-type: none"> ■ The signatory file of budget holders and staff who have authorisation to sign timesheets and expense claims was not up to date. ■ Pre-vetting reports are run from the system before each payroll is finalised and paid. Checking of individual reports is delegated to a number of different staff with corrections to the payroll processed as necessary. There is, however, no consistent check to ensure that this process is completely and correctly undertaken. ■ There was a continuing backlog in scanning records and supporting documentation. <p>I have also considered the work of Internal Audit undertaken on the payroll system during the year. This has continued to identify significant weaknesses in the control environment within the payroll system.</p>	<p>The control weaknesses identified continue to create a risk that:</p> <ul style="list-style-type: none"> ■ Expenditure generated by the payroll system is not correctly classified on the general ledger. ■ Expenditure generated by the payroll system is not accurately recorded on the general ledger. ■ The payroll system transactions recorded on the system have not actually occurred or do not relate to the Council. <p>I am satisfied these issues are recognised by the Council. There has been a clear focus during the year from both management and the Audit & Standards Committee on improvement of the control environment within the system, including extensive communication with your payroll system provider. It is essential that this focus is maintained and improvements in internal control in this area are secured as a matter of priority.</p> <p>See recommendation 1.</p>
<p>Journals processed on the general ledger</p> <p>Manual adjustment journals processed on the general ledger are</p>	<p>Weaknesses in the internal control environment for journals create a risk that</p>

Description of weakness

not always subject to formal checking and authorisation. For the majority of the year staff were able to raise and authorise all journals processed on the general ledger.

I raised similar weaknesses in journal controls as part of my 2009/10 and 2010/11 annual governance reports.

As part of my work in this area I also found that payroll recode journals of a gross value of approximately £19.6 million have been processed on your general ledger in the year. The journals affected more than 15,000 individual payments. I tested a number of these transactions as part of my general testing of journals processed on your general ledger. This testing identified no errors and I am satisfied that classification of payroll expenditure on the general ledger and in the financial statements is materially correct.

Potential impact and management action

income and expenditure is misclassified on the general ledger and misreported in your financial statements.

You have considered the recommendation I raised in this area last year and have implemented a control with effect from the end of February 2012. You have introduced a scheme of on-screen authorisation for journals that are considered high risk or more complex. I have not tested the operation of this control as it did not operate through the whole financial year. I am, however, satisfied that it is properly focused on those areas of your accounts that are most susceptible to manipulation or error.

The number and value of recode journals processed increases the risk of misclassified expenditure in your accounts. The need to process this number of journals to correct the coding of expenditure also consumes a significant amount of officer time. I am satisfied some of these adjustments have been caused by restructuring of Council services. However, you should continue to review and improve processes for updating the general ledger with details of expenditure generated by the payroll system.

See recommendation 4

Control accounts

As part of my work on payroll I reviewed your payroll control account balance at the end of the financial year. Although good progress had been made in reconciling the account approximately £160,000 of the account balance at year end could not be fully supported.

Unreconciled balances on control accounts create a risk that income and expenditure is not accurately recorded and classified on your general ledger. Much of the year end balance on the payroll control account relates to historical transactions that will not be easy to reconcile. You should consider whether these transactions should be written off to revenue.

See recommendation 5

Recommendation

- R4** Improve processes to ensure payroll expenditure is correctly classified on the general ledger without the need for recoding.
- R5** Review the outstanding unsupported balance on the payroll control account reconciliation and write off to revenue if necessary.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:

- Qualitative aspects of your accounting practices.
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest.

The matters I wish to report are set out in table 3.

Table 3: Other matters

Issue	Findings
<p>You are involved in a number of partnership arrangements under section 75 of the NHS Act 2006 for the commissioning and provision of services to adults, children and young people.</p> <p>The Children and Young People's Trust (CYPT) is a partnership between the Council, Brighton & Hove City Primary Care Trust (BCHPCT) and Sussex Community Trust (SCT) to commission and provide education, health and social care services for people up to the age of 19 within your geographical boundaries. You are the host body, lead commissioner and lead provider for this arrangement.</p> <p>Adult social care services are commissioned and provided within your geographical boundaries in partnership with BHCPCCT, SCT and Sussex Partnership Foundation Trust (SPFT). The partnership covers intermediate care, mental health, substance misuse, AIDS/HIV services and learning disabilities. You are lead commissioner and provider for learning disabilities services.</p>	<p>I found a number of issues relating to both the CYPT and adult social care partnership arrangements as part of my work which I wish to bring to your attention.</p> <p>Children and Young People's Trust</p> <p>The provider agreement with SCT is out of date and refers to South Downs Health NHS Trust which is SCT's predecessor body. The commissioner agreement with BHCPCCT is out of date. It was drafted for the 2010/11 financial year and stipulates that it should be updated annually. It has not been updated for 2011/12 and you are therefore reliant on the default provisions of the agreement. The agreement identifies the Council as the host body for a pooled commissioning budget. In 2011/12 the Council hosted approximately £67 million or 98 per cent of the total funds spent under the pool. However, approximately £1.5 million of funds were spent directly with providers by BHCPCCT and not pooled. The arrangement is not therefore operating as a true pooled budget or being accounted for as such in your 2011/12 financial statements. You account for any over or under spending in relation to the services you provide directly (£57 million expenditure in 2011/12) and BHCPCCT accounts for over and under spending in relation to the services it directly commissions (£1.5 million expenditure in 2011/12). The split of over or under spending on services commissioned by the Council from SCT (£9.7 million expenditure in 2011/12) is agreed between both bodies each year.</p> <p>There were material errors in the disclosure of funding contributions and expenditure originally presented at Note 8 to the financial statements. The financial statements have been amended to correct this.</p> <p>Adult social care</p> <p>The commissioner agreement with BHCPCCT dates from 2007 and is out of date. Although the commissioning agreement allows for funds to be pooled the arrangement is not currently operated as a pooled budget and is not being accounted for as such in your financial statements. There are no documented financial risk sharing arrangements in place apart from in the provider agreement with SPFT where you agree to share the</p>

impact of any over or under spending equally with the Trust. The split of over or under spending outside of the agreement with SPFT is agreed between the partner bodies each year.

There was a non-trivial error in the disclosure of provider spending for adult social care in the disclosure at Note 8 to the financial statements. You have corrected this in the revised financial statements.

There is a need to revisit, clarify and update your section 75 partnership arrangements for the commissioning and provision of services to adults, children and young people. You should also ensure that there is an effective process for checking the accuracy of the disclosure of commissioner and provider expenditure under these arrangements in the draft financial statements.

See recommendation 6.

I note you have disclosed an ongoing action in your 2011/12 annual governance statement to review partnership and governance arrangements with health. In particular:

- supporting the implementation of the shadow Health and Wellbeing Board;
- preparing for the transfer of public health functions to local government; and
- to respond to structural change in the NHS which will affect existing section 75 agreements.

As part of my work to test capital expenditure I identified a situation where you had acted as both developer of one of your own capital assets and local planning authority. To meet planning conditions for development of the asset, the Council in its capacity as developer had sought to enter into an agreement under section 106 of the Town and Country Planning Act with the Council in its capacity as local planning authority. The commitment under the section 106 agreement of £82,000 has been capitalised in your 2011/12 financial statements as a cost

The accounting treatment in your 2011/12 financial statements is not correct. The Council is a single legal entity and therefore cannot enter into an enforceable agreement with itself under the Town and Country Planning Act. There has been no inflow or outflow of economic benefits to or from the Council. There is therefore no cost to capitalise or income received to appropriate to a reserve.

I am satisfied that this finding is isolated, its impact on the 2011/12 financial statements is trivial and therefore that it is appropriate not to amend the financial statements to correct this. I am bringing this issue to your attention as the Council is likely to act as both developer and local planning authority in the future. You therefore need to

Issue	Findings
<p>necessary to bring the asset into use. You have also accounted for the section 106 contribution in an earmarked reserve.</p>	<p>reconsider your arrangements and accounting in this area. See recommendation 7.</p>
<p>My work on your 2010/11 Whole of Government Accounts (WGA) return identified non-trivial grossing-up of internal recharges in your 2010/11 comprehensive income and expenditure statement. This has the impact of overstating income and expenditure. You have revised your arrangements to reduce the possibility of this recurring in 2011/12.</p>	<p>As part of my testing of revenue grant income and contributions I detected that some capitalised salary costs had been revised from revenue by crediting income rather than expenditure in your consolidated income and expenditure account. This overstated income and expenditure by approximately £472,000. You should continue to review your internal process to minimise the possibility of double counting income and expenditure in the consolidated income and expenditure statement. See recommendation 8.</p>
<p>I review and test your year end processes to reconcile your bank accounts and other cash balances reported in your financial statements. I am satisfied that your processes are sound overall, but I have identified a small number of issues.</p>	<p>I identified a difference of £60,000 between the bank balance on the general ledger and your reconciliation schedule relating to schools cash balances. This difference was originally caused by the merger of two schools during 2010/11. Although the reconciling item is below the triviality level for my audit, and I am satisfied it does not indicate any higher value discrepancies, it relates to cash and is more sensitive. You should continue to investigate the difference and take appropriate action to clear it as appropriate. See recommendation 9.</p>
	<p>I identified an unmatched balance on the reconciliation of your payments accounts of approximately £80,000 which originates from the bank reconciliation module of your cash management system. Although the reconciling item is below the triviality level for my audit, and I am satisfied it does not indicate any higher value discrepancies, it relates to cash and is more sensitive. You should continue to investigate the difference and take appropriate action to clear it as appropriate. I have also identified a discrepancy in your processes for accounting for payments that straddle financial year end between payments initiated by financial systems which are</p>

Issue	Findings
<p>You participate in the local government pension scheme administered locally by East Sussex County Council. Each year you commission Hymans Robertson LLP, an independent firm of actuaries, to assess the value of your pension fund assets and liabilities. This work informs disclosures in your financial statements. As part of this process you are required to provide an estimate of annual employer contributions based on actual contribution expenditure data to the end of month 10.</p>	<p>integrated in your general ledger and payments initiated by financial systems external to your general ledger. Although this has not resulted in inconsistent treatment or any error in your financial statements in 2011/12 there is potential for it to do so in the future. You should therefore review your internal processes in this area to ensure accounting treatments are consistently applied.</p> <p>See recommendation 10.</p> <p>There was a difference of £525,000 between your estimate of employer contributions, which was considered by the actuary in its valuation of scheme assets and liabilities, and the actual value of employer contributions paid in the year. Although I am satisfied this has no material impact on disclosures in your financial statements you should seek to improve the accuracy of this accounting estimate. This will require better communication between your payroll and central accounting teams of the basis for the estimate.</p> <p>See recommendation 11.</p>
<p>Recommendation</p>	
<p>R6 Revisit, clarify and update partnership arrangements under section 75 of the NHS Act 2006 for the commissioning and provision of services to adults, children and young people. Ensure there is an effective process for checking the accuracy of the disclosure of commissioner and provider expenditure under these arrangements in the draft financial statements.</p>	
<p>R7 Review and reconsider your accounting arrangements in situations where the Council undertakes capital works on its own assets requiring planning consent and acts as both developer and local planning authority.</p>	
<p>R8 Continue to review your internal processes to minimise the possibility of double counting income and expenditure in the consolidated income and expenditure statement.</p>	

Recommendation

R9 Clear the difference of £60,000 between bank balances on the general ledger and your reconciliation schedule relating to schools cash balances.

R10 Address the following in your year end bank reconciliation processes:

- clear the unmatched balance of approximately £80,000 on your year end payments account reconciliation which originates from the bank reconciliation module of your cash management system; and
- for payments that straddle year end, ensure that payments initiated by financial systems integrated in your general ledger are treated consistently with payments that are initiated by financial systems outside your general ledger.

R11 Seek to improve the accuracy of your accounting estimate of employer pensions contributions that you provide to your actuary. This will require better communication between your payroll and central accounting teams of the basis for your estimate.

Whole of Government Accounts

Alongside my work on the financial statements, I have also reviewed and reported to the National Audit Office on your WGA return. The extent of my review and the nature of my report were specified by the National Audit Office. My work in this area identified a relatively small number of errors in the WGA return. The WGA return has been amended to correct some of these errors. I have reported uncorrected errors to the National Audit Office.

Value for money

I am required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

Background and approach

I assess your arrangements against the two criteria specified by the Commission which I reported to you in my 2011/12 Audit Plan.

The main risk that is relevant to my value for money conclusion continues to arise from funding reductions in the comprehensive spending review and the resulting need to continue to secure significant efficiencies to achieve your medium term financial plans. In light of this I have undertaken the following work to inform my 2011/12 value for money conclusion:

- I have used the Audit Commission's VFM profile database, and other available information on cost, to consider your costs relative to your statistical nearest neighbours;
- I have considered your arrangements to compare costs and outcomes against others to form a view on the level of understanding you have on the value for money delivered. In particular, I have considered your arrangements to ensure that commissioners have adequate information on costs and outcomes to make properly informed decisions; and
- I have considered how you use comparative information on costs and outcomes to inform budgeting and gain assurance that your pattern of spending matches your priorities.

Findings and conclusions

I have set out below my findings relevant to the two criteria in table 4.

I intend to issue an unqualified conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Table 4: Value for money conclusion criteria and my findings

Criteria	Findings
<p>Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<p>Based on the Audit Commission's VFM profile database, which uses 2010/11 spending data, the Council is high spending relative to its statistical nearest neighbours. This is true for both your overall spending and for your major service areas individually, where spending is generally in the top ten per cent. However, your overall spending is reducing, and reducing at a slightly quicker rate than at your nearest neighbours.</p> <p>The Council's costs per unit of activity, your unit costs, also appear high relative to other local authorities. This is the case for the majority of your service areas based on available data. A number of the service areas with higher unit costs are where you spend a large proportion of your overall budget, for example children's social care, older people and adult learning difficulties. However, these unit cost comparisons are based on information dating from 2009/10, and there are accepted difficulties in identifying reliable data to compare unit costs. You recognise this and have disclosed a risk in your 2011/12 annual governance statement of a more general reduction in the availability of reliable comparative data, and the impact this may have on your ability to benchmark your value for money in the future.</p> <p>High absolute levels of spending and high unit costs do not necessarily equal poor value for money. A range of variables drive your spending and costs. It is therefore essential that you are able to identify, monitor and compare these variables to arrive at an informed view of the value for money you deliver. For example:</p> <ul style="list-style-type: none"> ■ Relatively high levels of demand for a service can lead to high levels of spending absolutely, and high spending per head of population relative to others. You therefore need to be able to quantify and understand the drivers of demand for your services relative to others. ■ Certain service costs are subject to significant local variation, for example regional variations in labour costs and the value of property. This can lead to relatively high levels of absolute spending and unit costs. You therefore need to be able to identify service costs that are genuinely subject to significant local

variation and the impact this has on your spending relative to others.

- A high service specification can lead to high levels of absolute spending and high unit costs compared to others. The specification of a service will in turn depend on a number of factors such as policy decisions on the level of service provided relative to the level of assessed need and your attitude to service delivery risk more generally.

Based on my review I am satisfied that you have adequate arrangements to be able to understand, assess and improve the value for money you deliver. For example, you have benchmarked children's services to evaluate your level of spending compared to the needs of service users. This found that the level of need was above average at just outside of the top third of the 124 local authorities included in the comparison. However your spend, which was in the top five per cent of local authorities included in the comparison, appeared disproportionately high relative to assessed need.

Your systems thinking initiative provides another good example of where you have sought to better evaluate the specification of services currently delivered and focus the process of service delivery primarily on what is needed and most valued by the service user. You intend to use this understanding to assess what changes need to be made to deliver services with greater economy, efficiency and effectiveness. Systems thinking is a term used to describe a process where a department, service or business area deconstructs and evaluates its processes to identify potential quality improvements, cost reductions, training needs and other barriers to efficiency. The aim is to reconfigure the service so that it offers better value for money. As part of my work I have considered the systems thinking review you have undertaken in revenues and benefits administration. You estimate that the review has resulted in recurrent savings of approximately £500,000 from an original budget of approximately £7 million. It has also identified a number of key principles which should be applied to improve value for money:

- A clear and up to date understanding of key customer requirements is essential to improve the value offered by a service. The service should be structured

primarily to ensure compliance with legal requirements and focus on the key needs of the service user. Parts of the existing service specification and supporting processes that are no longer required to meet these key aims can be removed to reduce costs and improve efficiency and effectiveness.

- To improve value for money, systems and processes should primarily be designed to deal with the usual course of business. In the majority of cases they should not primarily be focused on managing a worst case scenario. To do this, services need to understand key business and reputational risks and make reasonable and proportionate allowances for them in the way the service is operated.
- Staff need to be well trained and understand the purpose of the processes they follow rather than simply operating them because they are required to.

The next step is to seek to apply the lessons learned from this work to other areas of the Council's operations.

Financial resilience

The organisation has proper arrangements in place to secure financial resilience.

Focus 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.

My work in this area considered:

- your track record of delivering to budget;
- your budget setting processes, including the system of star chambers to challenge budget proposals; and
- the robustness of your medium term financial plans and savings targets in the 2012/13 budget.

Based on my work I am satisfied that you have adequate arrangements in place to secure financial resilience. Specifically:

- you have a good track record of delivering your budget;
- your financial plans properly reflect the significant financial challenges you face over the medium term;
- you have well established processes for identifying savings targets and setting budgets that fit with available funding; and
- you have effective processes for monitoring performance against budget and

instigating corrective action where necessary.

Your 2012/13 budget setting process was supported by a series of star chamber meetings of officers and members where services were required to justify and respond to challenge of their budget proposals. As part of my work I considered minutes of the meetings and detailed reports and other analysis produced in support of them. Although I noted some variation in quality I have concluded that overall they provided effective challenge and a mechanism to ensure that detailed budgets accord with your priorities. I note that the process followed deliberately allowed for some flexibility in the format of responses provided by services.

I have also considered the effectiveness of some of your specific actions to secure funding for urgently needed capital works on your housing stock. This work is needed to ensure compliance with the decent homes standard by your target timescale. The transfer of 499 council dwellings to Seaside Community Homes Limited is an innovative method of both securing improvements to the transferred properties and raising capital receipts to fund the capital works needed on other council dwellings. Although successful, its innovative nature, and other changes affecting the project that were not within your control, has made it a complex, resource intensive and time consuming scheme to progress. Your housing repairs and improvement contract with your external partner Mears has also been successful in improving value for money. It has secured both reduced repairs and maintenance costs and improved quality in terms of the consistency in standard of work delivered and the speed of response.

You have a good track record of setting and delivering value for money improvement programmes as part of your annual budget. However, it is becoming increasingly difficult to secure savings of the scale needed to meet the financial challenges you face. As part of my review of current performance against 2012/13 savings targets I noted that some of your planned savings in adult social care, for example savings generated by the planned implementation of the learning disabilities accommodation and support strategy, may not be achievable as at June 2012. This is a service where there is a mature market for the provision of services

Criteria

Findings

and you have already used your commissioning experience to outsource service provision where appropriate. Although mitigating savings have been identified for 2011/12 the rising demand for adult social care these means savings may be increasingly difficult to identify without a more fundamental review of how services are delivered.

Given the scale of the medium term financial challenges you face it is likely you will need to think more radically about your current methods and level of service provision if you are to deliver the value for money improvement needed to maintain your financial resilience. During 2012/13 you are experiencing significant changes in your senior management with the departure of the chief executive and three strategic directors. It is important that this level of organisational change does not result in a loss of focus on improving the value for money delivered by the Council's main services.

Fees

I reported my planned audit fee in the 2011/12 Audit Plan.

I will complete the audit within the planned fee.

Table 5: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	£350,550	£350,550
Claims and returns ⁱ	£52,000	£52,000
Non-audit work	0	£0
Total	£402,550	£402,550

ⁱ The fee for certification of claims and returns for 2011/12 is an estimate based on work undertaken in 2010/11. The actual fee may be different to the estimate. The Audit Commission sets a schedule of hourly rates for different levels of staff and the final fee for this work is dependent on the work undertaken and the grades of staff used to deliver the work.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF BRIGHTON & HOVE CITY COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Brighton & Hove City Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Brighton & Hove City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director Finance’s Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting

policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and the Summary of Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Brighton & Hove City Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the Summary of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

99

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Brighton & Hove City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Brighton & Hove City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Helen Thompson

District Auditor

Address: Audit Commission, Ground floor, Bicentennial Building, Southern Gate, Chichester, West Sussex PO19 8EZ.

26 September 2012

Appendix 2 – Uncorrected errors

I identified the following errors during the audit which management has not addressed in the revised financial statements.

Item of account	Description of error
Comprehensive income and expenditure statement	<p>My substantive testing of payroll expenditure identified errors in three of the 40 cases selected for detailed testing:</p> <ul style="list-style-type: none"> in one case six hours worked that were supported by an authorised timesheet had not been paid to the employee; and in two cases enhanced payments to staff were calculated at an incorrect rate of pay. In both cases this resulted in small value underpayments. <p>You have been unable to demonstrate that these errors were isolated. I have therefore extrapolated the errors to determine the likely impact on your financial statements.</p> <p>Based on my extrapolation expenditure in the comprehensive income and expenditure statement is understated by £197,000.</p>
Note 16 – Property, plant and equipment Comprehensive income and expenditure statement Balance sheet	<p>Depreciation of approximately £294,000 was charged in the year on the new school at Brighton Aldridge Community Academy (BACA). Your accounting policy is to not charge depreciation on a new asset until the year following acquisition or the year after the asset becomes operational. Depreciation charged on BACA in 2011/12 is therefore not in line with your stated accounting policy and is a non trivial error in your financial statements.</p> <p>Depreciation shown at Note 16 is overstated by £294,000 and the closing value of assets in the balance sheet is understated by £294,000.</p>

Item of account	Description of error
<p>Note 14 – Capital grants and contributions with conditions attached</p> <p>Balance sheet</p>	<p>Depreciation charged to and reversed from the consolidated income and expenditure statement is overstated by £294,000.</p> <p>You have a number of grants dealt with on a claim basis where monies are spent in advance of the grant being received. Approximately £1.7 million of these grants are included in the table of capital grants and contributions with conditions attached disclosed at Note 14 and netted off capital grants received in advance.</p> <p>Although this approach is disclosed at Note 14, it is not correct. A debtor should be raised against the expenditure to reflect grant funding due.</p> <p>Receipts in advance (creditors) in the balance sheet are understated by approximately £1.7 million. Debtors in the balance sheet are understated by approximately £1.7 million.</p>

Appendix 3 – Corrected errors

I identified a relatively small number of errors during the audit which management has corrected in the revised financial statements:

- The gross value of corrected errors impacting on the comprehensive income and expenditure statement was £3,068,000. Correction of these errors had no impact on the Council's financial performance reported in the draft financial statements.
- There were no corrected errors impacting on the balance sheet.
- There were a relatively small number of internal consistency, disclosure and numeric errors in the explanatory foreword and notes to the financial statements.

Where errors were detected in relation to a specific and significant risk, or where errors have led to agreed recommendations, they are considered in more detail in the main body of the report.

Appendix 4 – Draft letter of management representation

Brighton & Hove City Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Brighton & Hove City Council, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

These misstatements have been discussed with those charged with governance within the Audit & Standards Committee and the reasons for not correcting these items are as follows.

- **reason needs to be given for not correcting the unadjusted errors shown at Appendix 2.**

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Brighton & Hove City Council

I confirm that the this letter has been discussed and agreed by the Audit and Standards Committee on 25 September 2012

Name: Nigel Manvell

Position: Acting Director of Finance

Date: 25 September 2012

Appendix 5 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion and value for money conclusion.

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Audit Commission

Annual governance report

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement

within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

Appendix 6 – Action plan

Recommendations

Recommendation 1

Continue to improve the internal control environment within the Midland iTrent payroll system as a matter of priority. In particular, ensure that all controls are operated consistently and evidence is retained to show that controls have been operated.

Responsibility Head of People Centre

Priority High

Date Ongoing

Comments Agreed. We are continuing to work with Internal Audit as a high priority to improve the internal control environment. This is evidenced in the draft findings from their recent follow up on recommendations arising from the 2011/12 audit.

Recommendation 2

Produce the year end data return of pensions contributions required by East Sussex Pension Fund in a timely manner.

Responsibility Head of People Centre

Priority Medium

Date Ongoing

Comments Agreed. We are working with our software provider to improve the system reporting on pensions to enable the end of year return to be provided to the administering authority as soon as the year-end has balanced. This will be particularly important for the next return as the fund will be valued as at 31 March 2013.

Recommendation 3

Ensure transfers from assets under construction into operational land and buildings are made on your asset register so that no depreciation is charged in accordance with your accounting policy.

Responsibility	Principal Accountant, Central Accounting
Priority	Low
Date	For 2012/13 financial statements
Comments	Agreed. The Central Accounting team will liaise with the asset register software providers to request that the system program provides a facility for transfers of assets under construction to meet the policy properly. The way the asset register system treats assets under construction will be reviewed to enable future transfers to be recorded with a transfer date whereby the system is programmed in such a way that depreciation is not charged until the following year.

Recommendation 4

Improve processes to ensure payroll expenditure is correctly classified on the general ledger without the need for recoding.

Responsibility	Acting Director of Finance
Priority	Medium
Date	Ongoing
Comments	Agreed. The People Centre and Finance will work together on implementing establishment management and Finance will continue to work to improve the accuracy of coding.

Recommendation 5

Review the outstanding unsupported balance on the payroll control account reconciliation and write off to revenue if necessary..

Responsibility	Principal Accountant, Central Accounting
Priority	Medium
Date	31 March 2013
Comments	Agreed. The process for the payroll account reconciliation is currently under review, this review will assist in improving the completeness and accuracy of the reconciliation in 2012/13 at which time any unsupported balance will be considered for write off to revenue where necessary.

Recommendation 6

Revisit, clarify and update partnership arrangements under section 75 of the NHS Act 2006 for the commissioning and provision of services to adults, children and young people. Ensure there is an effective process for checking the accuracy of the disclosure of commissioner and provider expenditure under these arrangements in the draft financial statements.

Responsibility Acting Director of Finance

Priority Medium

Date Ongoing

Comments Agreed.

Commissioning agreements will be reviewed when greater legal clarity about the status of clinical commissioning groups is available and obtained. This does not present significant risks because, in general terms, the statutory powers and functions of primary care trusts will fall to a successor health body and therefore extant section 75 agreements would remain in force with the identified successor body.

While the disclosures for section 75 agreements are not mandatory, their accuracy should be assured where they are provided. The Council will ensure greater oversight and review of information provided by partners and will formalise this in its closedown timetable.

Recommendation 7

Review and reconsider your accounting arrangements in situations where the Council undertakes capital works on its own assets requiring planning consent and acts as both developer and local planning authority.

Responsibility Head of Finance – Integrated Financial Management and Planning

Priority Medium

Date With immediate effect

Comments Agreed. Accounting arrangements will be amended where the Council is required to make section 106 or community infrastructure levy payments when acting as both developer and planning authority.

Recommendation 8

Continue to review your internal processes to minimise the possibility of double counting income and expenditure in the consolidated income and expenditure statement.

Responsibility	Head of Financial Services
Priority	Medium
Date	For 2012/13 WGA return.
Comments	Agreed. Whole of Government Accounts are complex and all public sector organisations are improving their knowledge and understanding of best practice completion of WGA statements to eliminate double-counting not only between transacting public sector organisations but also internally within each organisation. Having identified this issue, the Council will modify its procedures accordingly.

Recommendation 9

Clear the difference of £60,000 between bank balances on the general ledger and your reconciliation schedule relating to schools cash balances.

Responsibility	Principal Accountant, FC / CYPT & Environment
Priority	Medium
Date	By 31/3/2012
Comments	Agreed. The school accounts are reconciled on a quarterly basis. This imbalance will be investigated and cleared appropriately by the end of 2012/13.

Recommendation 10

Address the following in your year end bank reconciliation processes:

- clear the unmatched balance of approximately £80,000 on your year end payments account reconciliation which originates from the bank reconciliation module of your cash management system; and
- for payments that straddle year end, ensure that payments initiated by financial systems integrated in your general ledger are treated consistently with payments that are initiated by financial systems outside your general ledger.

Responsibility Principal Accountant, Income & VAT

Priority Medium

Date Ongoing

Comments The Council is working with its software provider to resolve the unmatched balance on the payments account reconciliation.

Recommendation 11

Seek to improve the accuracy of your accounting estimate of employer pensions contributions that you provide to your actuary. This will require better communication between your payroll and central accounting teams of the basis for your estimate.

Responsibility Head of People Centre

Priority Medium

Date For 2012/13 financial statements

Comments Agreed. The People Centre will coordinate with Finance on the provision of data to the scheme administrators.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2012.
Design and production by the Audit Commission Publishing Team.
Image copyright © Audit Commission.

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

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



AUDIT & STANDARDS COMMITTEE

Agenda Item 35

Brighton & Hove City Council

Subject:	Statement of Accounts 2011/12		
Date of Meeting:	25 September 2012		
Report of:	Director of Finance		
Contact Officer:	Name:	Jane Strudwick	Tel: 29-1255
	Email:	jane.strudwick@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report provides information about the audit of the 2011/12 Accounts, and recommends approval of the Statement of Accounts 2011/12 and the Letter of Representation on behalf of the council.
- 1.2 Under the Accounts and Audit Regulations 2011, the council's Statement of Accounts for 2011/12 must be approved by Members by the 30 September 2012. Under Brighton & Hove City Council's constitution, the Audit & Standards Committee is charged with this responsibility.
- 1.3 The council's external auditors (the Audit Commission) are required to give assurance that the Statement of Accounts are free from material misstatement and to report significant matters arising from the audit.
- 1.4 The Audit Commission has conducted its audit of the Statement of Accounts and has recommended only a relatively small number of amendments prior to issuing their opinion and the publication of the accounts.
- 1.5 This report presents the revised 2011/12 Statement of Accounts following the audit. It outlines the amendments made to the financial statements since they were presented to the June committee and provides assurances to the Audit & Standards Committee in relation to the preparation of the Statement of Accounts. It also provides information regarding the summary accounts and informs the committee of the outcome of the public inspection of the accounts. Copies of the revised Statement of Accounts are available in the Members' rooms.

2. RECOMMENDATIONS:

It is recommended that the Audit & Standards Committee:

- 2.1 Notes the findings of the Audit Commission in their Annual Governance Report (AGR). The AGR is a separate item on this agenda.
- 2.2 Notes the adjusted misstatements to the 2011/12 Statement of Accounts (paragraph 7.3 and Appendix 4).

- 2.3 Considers the advice in relation to unadjusted misstatements and agree that they should not be adjusted for (paragraph 7.4 and Appendix 5).
- 2.4 Notes the results of the public inspection of the accounts (Section 9).
- 2.5 Approves the letter of representation on behalf of the council (Appendix 1).
- 2.6 Approves the management responses to the action plan in the AGR.
- 2.7 Approves the audited Statement of Accounts for 2011/12.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The main legislative requirements relating to the preparation, publication and audit of the council's accounts are contained in the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011 made under Section 27 of the 1998 Act.
- 3.2 It is a requirement that the annual accounts should be prepared as soon as practicable after the end of the financial year and considered by a committee or Full Council, and approved by a resolution of that committee or Full Council by the 30 September.
- 3.3 The accounts must be published and signed off by the external auditor as soon as reasonably possible after the conclusion of the audit and by the 30 September.

4. FORMAT OF THE STATEMENT OF ACCOUNTS

- 4.1 As reported to the June committee, the council is required to present its financial statements on an International Financial Reporting Standards (IFRS) basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA); the 2011/12 financial statements cover the period 1 April 2011 to 31 March 2012.
- 4.2 The purpose of the Statement of Accounts is to provide information to a whole range of stakeholders and the general public about the financial position, financial performance and cash flows of the council and to provide answers to basic questions such as:
 - What did the council's services and capital programme cost in 2011/12?
 - Where did the money come from?
 - What does the council own?
 - What commitments does the council have and what provisions and reserves has the council set against these?
 - What amounts were due and what was owed at the end of the financial year?
- 4.3 In accordance with the accounts and audit regulations, the Statement of Accounts includes an explanatory foreword, a statement of responsibilities

together with the core financial statements, supplementary statements, the notes to the accounts and a statement of accounting policies.

- 4.4 The statement would normally comprise both “Single Entity Accounts”, which are in respect of wholly council controlled activities, and “Group Accounts” in respect of activities where the council has a significant interest or share in a subsidiary, associate or joint venture entity. However, there are no activities requiring the preparation of Group Accounts in 2011/12.
- 4.5 The Single Entity core financial statements included within the Statement of Accounts comprise the following:-
- Movement in Reserves Statement
 - Comprehensive Income and Expenditure Statement
 - Balance Sheet including the Balance Sheet at the beginning of the earliest comparative period (i.e. a third Balance Sheet as at 1 April 2010)
 - Cash Flow Statement
 - Notes to the Financial Statements
 - Statement of Accounting Policies
- 4.6 The supplementary statements comprise the Housing Revenue Account and the Collection Fund Account.
- 4.7 The explanatory foreword aims to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. A commentary on these key aspects of the 2011/12 Statement of Accounts is included in Appendix 3 to this report.
- 4.8 The Audit Commission has completed their work on the audit of the accounts and will be reporting their findings to this Committee through the Annual Governance Report. Following this report, the Audit Commission will be able to issue their audit opinion and the accounts will be published.

5. PREPARATION OF THE STATEMENT OF ACCOUNTS

- 5.1 The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2011/12 (the Code), issued by CIPFA. There has been no deviation from the requirements of the Code and all accounting policies adopted by the council for the 2011/12 Statement of Accounts are in line with the requirements of the Code.
- 5.2 The accounts have been prepared by appropriately qualified and trained council officers who have undertaken extensive training on the requirements for preparing local government financial statements and notes. Finance officers who are involved in the preparation of the Statement of Accounts attend regular training to ensure an up to date knowledge and continuous professional development.
- 5.3 Officers have made reference to CIPFA’s practitioner’s guidance notes, disclosure checklists and other technical guidance in preparing the Statement of Accounts to ensure compliance with all statutory and other regulatory

requirements. Officers have also liaised closely, during the preparation of the financial statements, with external audit over the proposed accounting treatment of the key changes affecting the 2011/12 financial statements.

- 5.4 The council makes a number of critical judgements, accounting estimates and assumptions in the preparation of the financial statements; the details are disclosed in note 3 to the financial statements.
- 5.5 As part of the accounts preparation process, a full review of the financial statements, notes and critical accounting transactions was undertaken by senior officers within Finance. Following this review, the Statement of Accounts was then approved by the Chief Finance Officer to be issued for public inspection and audit. Evidence of this review forms part of the working papers produced for the external auditors.
- 5.6 During the accounts audit process, officers liaise closely with the external auditors in respect of audit queries and work closely to ensure prompt and successful resolution of these queries. During the audit of the 2011/12 accounts, there have been no disputes between council officers and external audit in relation to the required amendments to the accounts.

6. CHANGES TO ACCOUNTING STANDARDS

- 6.1 The council has adopted a change in accounting policy in respect of heritage assets.
- 6.2 Note 1 to the financial statements provides a summary of the changes in respect of heritage assets while the Explanatory Foreword includes a section on significant changes in accounting policies. The latter provides a more detailed explanation of the change to the treatment in accounting for heritage assets and how it has affected the council's reported financial position and cash flows.
- 6.3 The financial statements include a separate section detailing a summary of the council's significant accounting policies.
- 6.4 The main changes for the 2011/12 accounting period are summarised in Appendix 2 of this report.

7. AUDIT OF THE STATEMENT OF ACCOUNTS 2011/12

- 7.1 The Audit Commission has completed the audit of the council's accounts and their Annual Governance Report (AGR) which reports on the external assessment of the financial statements and arrangements to secure Value for Money forms part of this committee's agenda.
- 7.2 The AGR for 2011/12 states that the draft financial statements were of a good standard, supported by good quality working papers and were in accordance with statutory deadlines and the council's internal timetable.
- 7.3 During the course of the audit, the external auditors detected a relatively small number of errors in the financial statements. Amendments to the accounts were discussed and agreed with council officers; details of these amendments and the financial statements affected are included in Appendix 4 of this report.

- 7.4 There were other misstatements identified from the audit which were discussed by officers and the external auditor; however, for reasons set out in the letter of representation (see Appendix 1), the council has elected not to adjust the financial statements. Details of these unadjusted misstatements are detailed in Appendix 5 of this report.
- 7.5 Compilation of the financial statements relies on data extracted from the financial systems operated by the council including those systems which interface into the financial system. It is therefore, important for the auditors to be satisfied that these systems have adequate controls in place so that assurance can be given on the integrity of the information held within them. The main control weaknesses identified by the auditors were within the payroll system. This is a key system as it generates a large part of the council's expenditure. The auditors therefore undertook additional substantive testing, which identified a small number of errors that are not material to the authority's accounts. Recommendations by the Audit Commission to continue to improve the control environment within the payroll system are included in Appendix 6 of the AGR.

8.1 SUMMARY OF ACCOUNTS

- 8.1 Each year, the council produces a summary version of the accounts which aims to provide summarised information about the council's performance and financial standing in a clearer and easier to understand format than the prescribed layout of the main Statement of Accounts. The Summary of Accounts will be published on the council's website alongside the 2011/12 Statement of Accounts.

9. COMMUNITY ENGAGEMENT AND CONSULTATION

- 9.1 Members of the public, in accordance with the Audit Commission Act 1998, are granted access for a four-week period to the council's unaudited Statement of Accounts and are invited to enquire on any aspect of these Accounts. If a member of the public is not satisfied with the response received, they are able to lodge a formal objection to the Accounts with the Audit Commission.
- 9.2 This year the council received an enquiry from one member of the public. This enquiry encompassed many areas of the Accounts. Responses to the queries have been compiled and sent. At the time of writing this report, the enquiries have not resulted in any objection to the Accounts.

10. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 10.1 The financial implications are included in the body of the report.

Finance Officer Consulted: Jane Strudwick Date: 05/09/12

Legal Implications:

- 10.2 The legal framework for approving the council's statement of accounts is provided by regulation 8 of The Accounts and Audit (England) Regulations 2011 (statutory instrument 2011/817), relevant details of which are set out in the body of the report.

- 10.3 The Regulations permit either Full Council or a committee of the council to approve the statement of accounts. As noted in the report, in Brighton & Hove it is the Audit & Standards Committee which fulfils this statutory role.

Lawyer Consulted:

Oliver Dixon

Date: 07/09/12

Equalities Implications:

- 10.4 There are no equalities implications arising directly from this report.

Sustainability Implications:

- 10.5 There are no direct environmental implications arising from this report.

Crime and Disorder Implications:

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

Risk and Opportunity Management Implications:

- 10.7 There has been no direct risk assessment for this report.

Public Health Implications:

- 10.8 There are no public health implications arising directly from this report.

Corporate / Citywide Implications:

- 10.9 The quality of a public authority's financial statements is of reputational importance and where the auditor gives an unqualified opinion, citizens, partners and other stakeholders can be assured that the statements present fairly the financial position of the council.

11. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 11.1 After the Accounts have been made available for public inspection, alterations may only be made with the consent of the auditor, i.e. in this case the District Auditor. The alterations in this case have received her consent.

12. REASONS FOR REPORT RECOMMENDATIONS

- 12.1 It is a statutory requirement of the current Accounts and Audit Regulations that the council's 2011/12 Statement of Accounts should be approved by Members by the 30 September 2012.
- 12.2 To ensure that the Audit & Standards Committee is fully aware of the changes to the Accounts agreed with the auditor in response to the findings and recommendations arising from the audit of the accounts.

SUPPORTING DOCUMENTATION

Appendices:

1. Letter of Representation
2. Summary of the main changes for the 2011/12 accounting period
3. Commentary on the Statement of Accounts
4. Details of amendments made to the Financial Statements
5. Details of unadjusted misstatements

Documents in Members' Rooms

1. Statement of Accounts

Background Documents

None

Letter of Representation

To:
Helen Thompson
District Auditor
Audit Commission
Bicentennial House
Southern Gate
Chichester
West Sussex
PO19 8EZ

Brighton & Hove City Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Brighton & Hove City Council, the following representations given to you in connection with your audit of the council's financial statements for the year ended 31 March 2012:

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate.

These misstatements have been discussed with those charged with governance within the Audit & Standards Committee and the reasons for not correcting these items are as follows.

Payroll Expenditure

- There is uncertainty as to the level of overstatement of payroll expenditure in respect of this error; the value reported has been extrapolated. The extrapolated impact to the 2011/12 statements is not material.

Property, Plant and Equipment

- This adjustment has no impact on the overall financial performance reported in the Statements;
- The impact to the 2011/12 statements is not material and the asset will be written out during 2012/13.

Capital grants and contributions with conditions

- This is a non material error affecting classification between debtors and creditors on the Balance Sheet
- There is no impact on the net assets of the council.

Supporting records

I have made available all relevant information and access to persons within the council for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the council.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of the council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately

accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Brighton & Hove City Council

I confirm that this letter has been discussed and agreed by the Audit & Standards Committee on 25 September 2012

Signed:

Name: Nigel Manvell

Position: Acting Director of Finance

Date: 25 September 2012

Schedule of Unadjusted Misstatements to the Statement of Accounts

Payroll Expenditure

There were three errors identified in the Audit Commission's substantive testing of payroll expenditure in relation to authorised hours not being paid to an employee and enhanced payments incorrectly calculated. The council has been unable to demonstrate that these errors were isolated. The extrapolated error of understatement in the Comprehensive Income and Expenditure Statement is £197,000.

Property, Plant and Equipment

Depreciation of £294,000 was charged in error on the new school at Brighton Aldridge Community Academy (BACA). The council's accounting policy is not to charge depreciation on a new asset until the year following acquisition or the year after the asset becomes operational. The impact of this error is an overcharge of depreciation to the Comprehensive Income and Expenditure Statement and the closing value of assets being overstated.

Capital Grants and Contributions

Expenditure of £1.7 million incurred in advance of the receipt of a capital grant or contribution has been incorrectly misclassified in the Balance Sheet as a creditor receipt in advance and should have been classified as a debtor.

Summary of the main changes for the 2011/12 accounting period

Heritage Assets

The 2011/12 Code requires, for the first time, the recognition of 'heritage assets'. Heritage assets are those assets held by the council that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They include historical buildings such as the Royal Pavilion, historic motor vehicles such as the Volks Railway, historic windmills and museum and gallery collections and works of art.

A review of the council's non current assets held (e.g. land, buildings, plant and equipment) has taken place to re-categorise assets that meet the definition for a heritage asset. The identified heritage assets are now included in the council's Balance Sheet using insurance valuations.

This change was a retrospective change in accounting policy and therefore required the recognition of the assets at 1 April 2010 (i.e. a third Balance Sheet).

The council has identified that assets to the value of £7.055 million as at 1 April 2010, that were previously held as community assets, other land and buildings and vehicles, furniture, plant and equipment, should now be recognised as heritage assets. Additional heritage assets that were not previously recognised in the Balance Sheet have also been brought on to the council's Balance Sheet in 2011/12. The total value of those assets identified as heritage assets as at 1 April 2010 is £177.721 million thereby increasing the asset value of non current assets as at 1 April 2010 by £170.666 million.

The value of heritage assets as at 31 March 2012 have been updated for revised insurance valuations in 2011/12 and the value at this date is £182.301 million. Note 17 to the financial statements and the significant changes in accounting policy section of the explanatory foreword includes more detail.

Carbon Reduction Commitment (CRC) Scheme

The financial year 2011/12 is the first year that the council is required to account for CRC emissions under the CRC scheme. The scheme is in its 'introductory phase'.

Under the scheme, the council has an obligation to purchase and surrender CRC allowances in relation to carbon dioxide emissions at the end of the financial year. The council purchases the allowances from the government and surrenders the allowances to the scheme in proportion to its reported emissions for the preceding scheme year and in accordance with the scheme requirements.

The obligation arises at the point at which the energy is consumed and carbon dioxide emitted. At this point, a liability and expense are recognised by the council with the liability being discharged by the surrendering of allowances. The measurement of the obligation is based on the requirements under the council's accounting policy for provisions. The liability is measured at the best estimate of the expenditure required to settle the obligation, normally at the current market price of the number of allowances required to meet the liability at the end of the financial year. The cost of the obligation is charged to services and is apportioned on the basis of energy consumption.

At 31 March 2012, the council had an obligation to meet its CRC responsibilities of £0.271m and has set aside this amount as a provision. This obligation is based on a

CO² usage of 22,608 tonnes at £12 per tonne; the CO² usage is based on the council's carbon footprint as at 2010/11 as submitted to the Department of Energy and Climate Change on 30th September 2011.

Note 43 to the financial statements includes more detail.

Exit Packages

From 2011/12, 'the Code' requires the disclosure of exit packages paid to employees. Exit Packages include compulsory and voluntary severance costs, including pay in lieu of notice.

The council is required to disclose the number of exit packages in bands of £20,000 up to £100,000 and bands of £50,000 thereafter analysed between compulsory redundancies and other departures. The council is also required to disclose the total cost of packages agreed in each band. Bands can be combined where this is necessary to ensure that individual exit packages cannot be identified (except where disclosure of payments to the individuals is required elsewhere within the Code).

The council has disclosed £1.695m of exit packages in 2011/12. Note 31 to the financial statements includes more detail.

HRA Self Financing

With effect from 1st April 2012 the HRA subsidy system was abolished and replaced with a new system of self financing. Under the new system the council was required to take on additional debt totalling £18.081m. This payment was made on 28th March 2012 and is shown as an exceptional payment in the financial statements for 2011/12.

Commentary on the Statement of Accounts

General Fund

The level of General Fund working balance and general reserves held at 31 March 2012 was £16.976 million; this represents the working balance of the council and is deemed appropriate by the council's Chief Finance Officer. In addition there are also General Fund earmarked reserves of £56.742 million.

Housing Revenue Account (HRA)

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

The 2011/12 outturn for the HRA shows a net surplus of £2.020 million. The HRA reserves now stand at £6.720 million, which is well in excess of the recommended minimum level of balances of £2 million. In addition there are also HRA earmarked reserves of £0.940 million.

Balance Sheet (BS)

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

Non Current Assets

Total non current assets (including current assets held for sale) have increased from £2,016.715 million as at 31 March 2011 to £2,102.012 million as at 31 March 2012. The in year movement in non current assets is detailed in notes 16 to 20 to the core financial statements. The movement of £85.297 million relates to the following:

- An increase of £113.031 million for additions to PPE, heritage assets and intangible assets which reflects the significant capital investments;
- PPE and heritage assets upward revaluation transactions of £45.903 million;
- Depreciation, impairment and revaluation losses transactions of £46.277 million;
- Downward movement in the fair value of investment properties of £2.086 million;
- Disposal of non current assets of £25.231 million;
- Other movements of £0.043 million.

Gains and losses on the disposal of fixed assets are charged to the Comprehensive Income and Expenditure Statement but then reversed back out through the Movement

in Reserves Statement to ensure they do not impact on the Council Tax demand. However, the cost of disposal remains as a charge to revenue.

Borrowing

In accordance with the CIPFA Code on Treasury Management, the management of the council's borrowing portfolio is based on a consolidated approach and not by individual services. The level of borrowing (including the bank overdraft) has increased in the year by £26.469 million.

During 2010/11, the council entered into three forward borrowing deals totalling £30 million of which two of these deals totalling £20 million became operational in February 2011 with the other deal becoming operational in February 2012.

As a result of the abolishment of the HRA subsidy system from April 2012, the council was required to take on additional debt of £18.081 million; this amount was paid to central government on 28 March 2012 funded by five long term loans with varying maturity dates.

Note 36 to the financial statements provides further information on borrowings.

Investments

At 31 March 2012, the council held investments of £52.911 million. Investments are made by the in-house treasury team and the council's external cash manager. The council uses an external cash manager to take advantage of investment opportunities in specialist markets not covered by the in-house team, such as government stock.

The level of investment has reduced in year by £4.082 million. The council has placed new short term investments of £599.480 million in 2011/12 and has realised cash from the maturity of short term investments of £603.611 million.

Note 36 to the financial statements provides further information on investments.

Revaluation Reserve

This represents any upward revaluations of assets in accordance with the Code. Any impairment of assets is also reflected in this account only to the extent that it can be offset against previous upward revaluation of the asset. Any excess impairment is charged to the Income and Expenditure Account. The reserve stands at £507.038 million as at 31 March 2012.

Earmarked Reserves

These represent funding that has been set aside for a specific purpose. The balance of £70.416 million at 31 March 2011 decreased to £57.682 million at 31 March 2012. Details of Earmarked Reserves held can be found in note 10 to the financial statements.

Schools' balances

Schools' balances have increased by £2.501 million from £3.879 million at 31 March 2011 to £6.380 million at 31 March 2012. All schools have the right to carry forward surpluses and overspends, within agreed limits, which will be added to, or taken from their school budget share. The £6.380 million balance includes phases as follows: - primary schools £3.664 million, secondary schools £2.173 million, special schools £0.487 million and nursery schools £0.056 million.

There is an overall increase in carry forwards; and, the movement across phases shows variations as follows: - primary schools increased by £1.020 million, secondary schools increased by £1.085 million, special schools increased by £0.408 million and nursery schools decreased by £0.012 million.

In total there are 6 schools (out of 68) with deficit balances (9% of total schools) and the split of these is as follows: - 3 primary schools, 2 secondary schools and 1 special school. School budget plans for 2012/13 will incorporate these overspends and the Council's Schools' Finance team have worked closely with schools to identify and support those requiring licensed deficits (approval to overspend) in the 2012/13 financial year.

Pension Liability

The pension liability (net of pension assets) was £106.557 million at 31 March 2011 and it increased by £49.088 million to £155.645 million at 31 March 2012.

The pension's actuary has advised that the increase in the deficit is due to falling real bond yields and poor asset returns.

The council also recognises a reserve for the estimated net pension liability. Therefore, amounts included in the council's accounts in relation to post employment benefits have no effect on the council tax requirement as the liability is offset by a Pensions Reserve.

Collection Fund

In 2011/12 there was an in year deficit of £0.623 million on the Collection Fund, a movement of £2.648 million from 2010/11 which had an in year deficit of £3.271 million. The in-year deficit related mainly to a higher than anticipated entitlement to exemptions and discounts.

Provisions and Contingent Liabilities

Provisions have been made in the accounts for liabilities existing at the 31 March 2012 that are reasonably certain and can be estimated with reasonable accuracy. Provisions are included for the following:-

Accumulated Absences – The council is required to make provision for accumulated compensated absences (e.g. annual leave and flexi leave) that are carried forward for use in future periods if the current period's entitlements are not used in full.

Single Status Liability Provision - The council made proactive offers to groups of staff in relation to potential equal pay back pay liabilities and has implemented the outcome of a pay and grading review. The provision relates to potential outstanding liabilities that the council is very likely to incur in relation to these matters. To help establish the potential liability, a legal review was conducted of all outstanding employment tribunal and internal grievance claims. The provision has been increased in 2011/12 to cover anticipated payments to officers who have left the council and had lodged a valid employment tribunal claim. This provision is separate to the single status earmarked reserve which is to meet potential pay related liabilities that cannot be estimated with any certainty.

Voluntary Severance Scheme Provision - The council established a voluntary severance scheme during 2010/11 to allow its officers to consider leaving their employment with the council in return for a severance package. This scheme was established to assist the council in meeting its tough financial targets in 2011/12 whilst avoiding the need for compulsory redundancies. The balance on the provision will meet

the costs of severance packages which had not been completed at the Balance Sheet date.

Other Provisions – the council has a number of other provisions which are individually insignificant. These include provisions for: Maintenance of Graves, Land Charges, Modern Records unit, Priory House Dilapidations and Workstyles Dilapidations.

Contingent Liabilities are included where there is a possible loss which is not recognised in the accounts because it cannot be accurately estimated or because the event giving rise to the possible loss is not considered sufficiently certain. The majority of these claims are not considered material and will therefore have no material effect on the council's financial position. A contingent liability is recognised in respect of outstanding and potential insurance claims where it is not possible to accurately estimate the timing or value of claims. However, the council's Insurance Reserve includes cover for potential liabilities based on past experience and professional assessment of current and potential liabilities.

Details of Amendments to the Statement of Accounts

Primary financial statements and supporting notes

There were a relatively small number of internal consistency, disclosure and numeric errors in the draft financial statements that were made in the process of producing the financial statements and not caused by underlying accounting errors.

S75 Arrangements

There was a material error in the disclosure of funding contributions and expenditure for the CYPT S75 arrangement presented in note 8 to the financial statements.

There was a non material error in the disclosure of provider spending for adult social care presented in note 8 to the financial statements.

Capitalised Salary Costs

The recharge of capitalised salary costs had been incorrectly treated as external income to the council rather than as an internal recharge. This had an impact of income being overstated by £472,000 and expenditure also being overstated by the same amount in the Comprehensive Income and Expenditure Statement. This amendment also affected the level of contributions disclosed in note 14 to the financial statements.

PFI Contingent Rentals

PFI Contingent rentals of £2.596 million were incorrectly accounted for in the Cost of Services in the Comprehensive Income and Expenditure Statement. They should have been accounted for as an interest charge and included in the Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement. This amendment also affected the disclosures made in notes 12 and 34 to the financial statements.

Details of Unadjusted Misstatements to the Statement of Accounts

Non Current Assets

Depreciation of £294,000 was charged in error on the new school at Brighton Aldridge Community Academy (BACA). The council's accounting policy is not to charge depreciation on a new asset until the year following acquisition or the year after the asset becomes operational. The impact of this error is an overcharge of depreciation to the Comprehensive Income and Expenditure Statement and the closing value of assets being overstated. The impact to the 2011/12 statements is not material and the asset will be written out during 2012/13. There is no impact on the financial performance of the council. For these reasons the council has elected not to make an adjustment to the accounts.

Capital Grants and Contributions

Expenditure of £1.7 million incurred in advance of the receipt of a capital grant or contribution has been incorrectly misclassified in the Balance Sheet as a creditor receipt in advance and should have been classified as a debtor. Capital grants and contributions have been correctly accounted for in the Comprehensive Income and Expenditure Statement. This adjustment has no impact on the council's net assets reported in the Balance Sheet and for this reason the council has elected not to make an adjustment to the accounts.

Subject: Extract from the Proceedings of the Policy & Resources Committee Meeting held on the 12 July 2012

Date of Meeting: 25 September 2012

Report of: Monitoring Officer

Contact Officer: Name: **Mark Wall** Tel: **29-1006**
E-mail: mark.wall@brighton-hove.gov.uk

Wards Affected: All

POLICY & RESOURCES COMMITTEE

**4.00 pm 12 July 2012
COUNCIL CHAMBER, HOVE TOWN HALL**

DRAFT MINUTES

Present: Councillor J Kitcat (Chair) Councillors Littman (Deputy Chair), G Theobald (Opposition Spokesperson), Hamilton, Mitchell (Opposition Spokesperson), A Norman, Peltzer Dunn, Shanks, Wakefield and West.

PART ONE

22. TARGETED BUDGET MANAGEMENT 2012/13 MONTH 2

22.1 RESOLVED:

- (1) That the forecast outturn position for the General Fund, which is an overspend of £0.522m be noted;
- (2) That the forecast outturn for the Housing Revenue Account (HRA), which is an underspend of £0.204m be noted;
- (3) That the virement within the HRA of £0.558m from capital financing costs to revenue contribution to capital be approved;
- (4) That the forecast outturn position on the capital programme be noted;

- (5) That the following changes to the capital programme be approved:
 - (i) The budget re-profiling and budget variations as set out in Appendix 2;
 - (ii) The carry forward of slippage into the 2013/14 capital programme, to meet on-going commitments on these schemes as set out in Appendix 2.
 - (iii) The new schemes as set out in Appendix 3.

Subject:	Targeted Budget Management (TBM) 2012/13 Month 2		
Date of Meeting:	25 September 2012		
Report of:	Director of Finance		
Contact Officer:	Name:	Jeff Coates	Tel: 29-2364
	Email:	jeff.coates@brighton-hove.gov.uk	
Key Decision:	No		
Ward(s) affected:	All		

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

- 1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out the forecast outturn position as at Month 2 on the council's revenue and capital budgets for the financial year 2012/13. The Month 2 forecast focuses in particular on corporate critical budgets and significant variances and trends that are identifiable this early in the financial year. A fuller analysis will therefore be available at the next meeting of this committee in October.

2 RECOMMENDATIONS:

- 2.1 That the Committee note the forecast outturn position for the General Fund, which is an overspend of £0.522m.
- 2.2 That the Committee note the forecast outturn for the Housing Revenue Account (HRA), which is an underspend of £0.204m.
- 2.3 That the Committee approve the virement within the HRA of £0.558m from capital financing costs to revenue contribution to capital.
- 2.4 That the Committee note the forecast outturn position on the capital programme.
- 2.5 That the Committee approve the following changes to the capital programme:
- i) The budget re-profiling and budget variations as set out in Appendix 2;
 - ii) The carry forward of slippage into the 2013/14 capital programme, to meet on-going commitments on these schemes as set out in Appendix 2.
 - iii) The new schemes as set out in Appendix 3.

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Targeted Budget Management (TBM) Reporting Framework

- 3.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Policy & Resources Committee. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending together with more regular monitoring of high risk 'corporate critical' areas as detailed below.
- 3.2 The TBM report is normally split into 7 sections as follows:
- i) General Fund Revenue Budget Performance
 - ii) Housing Revenue Account (HRA) Performance
 - iii) NHS Controlled S75 Partnership Performance
 - iv) Capital Investment Programme Performance
 - v) Capital Programme Changes
 - vi) Implications for the Medium Term Financial Strategy (MTFS)
 - vii) Comments of the Director of Finance

General Fund Revenue Budget Performance (Appendix 1)

- 3.3 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund. More detailed explanation of the variances can be found in Appendix 1.

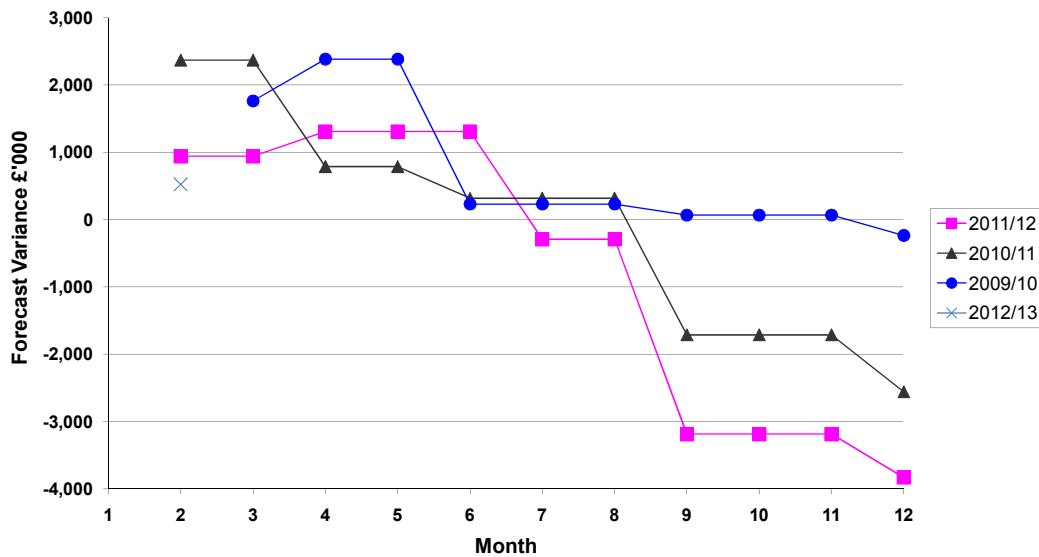
2011/12 Provisional Outturn £'000	Strategic Area	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
(4,330)	People	126,479	125,506	(973)	-0.8%
(608)	Place	44,890	45,525	635	1.4%
(39)	Communities	11,152	11,698	546	4.9%
(1,370)	Resources & Finance	37,549	37,749	200	0.5%
(6,347)	Sub Total	220,070	220,478	408	0.2%
2,516	Corporate Budgets	(8,273)	(8,159)	114	1.4%
(3,831)	Total Council Controlled Budgets	211,797	212,319	522	0.2%

- 3.4 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 and Corporate Budgets make up the General Fund services reported above.

Comparison with Previous Years

- 3.5 The chart below shows a comparison of the forecasts reported to Cabinet / Policy & Resources for the council controlled budgets for this and the previous three financial years.

TBM Projections Reported to P & R / Cabinet 2009/10 to 2012/13



Corporate Critical Budgets

- 3.6 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict and where relatively small changes in demand can have significant implications for the council's budget strategy. These therefore undergo more frequent and detailed analysis.

2011/12 Provisional Outturn £'000	Corporate Critical	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
(585)	Child Agency & In House	23,102	22,402	(700)	-3.0%
(1,752)	Community Care	44,230	43,456	(774)	-1.7%
(250)	Sustainable Transport	(15,365)	(15,046)	319	2.1%
(247)	Temporary Accommodation	660	1,019	359	54.4%
(551)	Housing Benefits	(752)	(752)	-	0.0%
(3,385)	Total Council Controlled	51,875	51,079	(796)	-1.5%

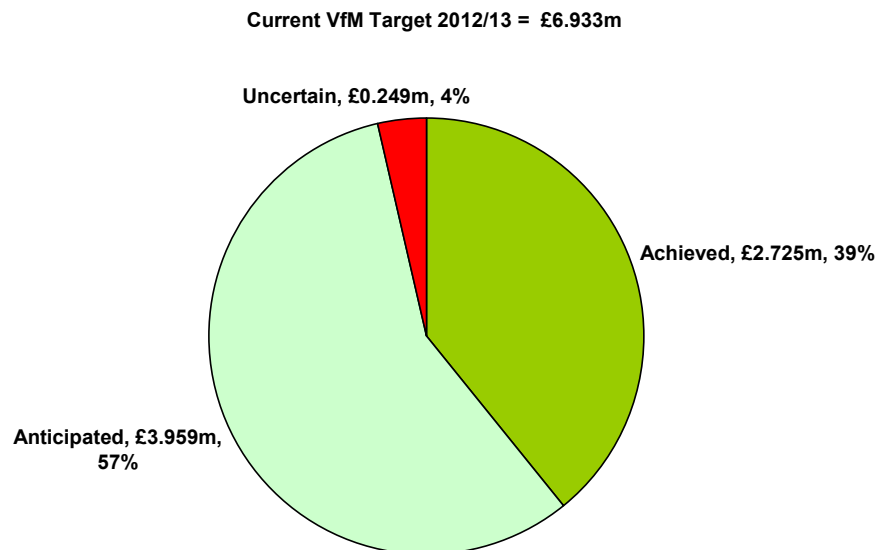
Value for Money (VfM) Programme

- 3.7 TBM reports also provide updates on the council's Value for Money programme. The VfM programme contains a number of large, complex projects which include

additional temporary resources (e.g. Project Managers) to ensure they are properly planned and implemented. Projects can have significant financial and non-financial targets attached to them and their successful implementation is therefore important to the overall financial health of the authority.

- 3.8 A new project has been added to the programme from 2012/13 relating to Client Transport. This is a significant project that will encompass Home to School Transport, Children's and Adults Social Care transport, and transport for older people. The project is aimed at making more efficient use of the council's client transport fleet through integrated management of the fleet, including route planning. The project will also look at potential partnership with East and West Sussex and consider options for providing greater choice to reflect 'Personalisation'. The detailed business case is currently being finalised, including the profile of potential savings. The first year in which savings are expected to accrue is 2013/14.
- 3.9 Some VFM 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 quantifies progress 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). Those that are uncertain are given greatest attention and details of mitigating actions are given wherever possible.
- 3.10 The level of 'uncertain' savings stands at £0.249m (4%) as shown in the chart below. Further information about the risks and actions relating to uncertain savings is given in Appendix 4.

Value for Money Programme (All Phases) - 2012/13 Monitoring



Housing Revenue Account Performance (Appendix 1)

- 3.11 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.

2011/12 Provisional Outturn £'000		2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
	HRA				
(2,152)	Expenditure	53,007	52,803	(204)	-0.4%
133	Income	(53,407)	(53,407)	-	0.0%
(2,019)	Total	(400)	(604)	(204)	-51.0%

NHS Controlled S75 Partnership Performance (Appendix 1)

- 3.12 The NHS Trust-managed Section 75 Services represent those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Foundation Trust (SPFT) and Sussex Community NHS Trust (SCT) and include health and social care services for Adult Mental Health, Older People Mental Health, Substance Misuse, AIDS/HIV, Intermediate Care and Community Equipment.
- 3.13 These partnerships are subject to separate annual risk-sharing arrangements and the monitoring of financial performance is the responsibility of the respective host NHS Trust provider. Risk-sharing arrangements can result in financial implications for the council should a partnership be underspent or overspent at year-end and hence the performance of the partnerships is reported under TBM throughout the year.

2011/12 Provisional Outturn £'000		2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
	Section 75				
(539)	NHS Trust managed S75 Services	14,584	14,428	(156)	-1.1%

Capital Programme Performance (Appendix 2)

- 3.14 Capital programme performance needs to be looked at from 4 different viewpoints as follows:
- Forecast Variances: The 'forecast' for a scheme or project indicates whether it is expected to be break-even, underspent or overspent. Information on how forecast overspends will be mitigated is given in Appendix 2. If the project is completed, any underspend or overspend will be an outturn variance. Generally, only explanations of significant forecast variances of £0.050m or greater are given.

- ii) Variations: These are changes to the project budget within year, requiring members' approval, and do not change future year projections. The main reason for budget variations is where capital grant or external income changes in year.
- iii) Slippage: This indicates whether or not a scheme or project is on schedule. Slippage of expenditure from one year into another will generally indicate overall delays to a project although some projects can 'catch up' at a later date. Some slippage is normal due to a wide variety of factors affecting capital projects however substantial amounts of slippage across a number of projects could result in the council losing capital resources (e.g. capital grants) or being unable to manage the cashflow or timing impact of later payments or related borrowing. Wherever possible, the council aims to keep slippage below 5% of the total capital programme.
- iv) Reprofiling: Reprofiling of expenditure from one year into another is requested by project managers when they become aware of changes or delays to implementation timetables due to reasons outside of the council's control. Reprofiling requests are checked in advance by Finance to ensure there is no impact on the council's capital resources before they are recommended.

3.15 The table below provides a summary of capital programme performance by strategic theme and shows that overall the programme is forecast to be on target at this early stage. Within Appendix 2 for each budget area there is a breakdown of the capital programme by Unit.

2011/12 Provisional Outturn £'000	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Outturn Month 2 %	
(3)	People	28,553	28,553	0	0.0%
(1,542)	Place	62,804	62,804	0	0.0%
563	Communities	4,998	4,998	0	0.0%
83	Resources & Finance	11,315	11,315	0	0.0%
(899)	Total Capital	107,670	107,670	0	0.0%

3.16 Appendix 2 also details any slippage into next year. Project managers have not forecast that any schemes will slip at present.

Capital Programme Changes

3.17 Appendix 2 and Appendix 3 provide details of changes to capital budgets which are included in the budget figures above. Appendix 2 details variations, re-profiled schemes and slippage whilst Appendix 3 provides details of new schemes included in the 2012/13 capital programme. Policy & Resources Committee's approval for these changes is required under the council's Financial Regulations.

Capital Budget Movement	2012/13 Budget £'000
Summary	
Approved Capital Budget (February Council)	98,166
New Schemes included in approved budget where further reports are needed before inclusion in the capital programme	(7,190)
2011/12 Outturn Report Changes	9,702
Variations to Budget (to be approved – Appendix 2)	4,167
Slippage (to be noted – Appendix 2)	0
New Schemes (to be approved – Appendix 3)	2,825
Total Capital Budget	107,670

- 3.18 All new schemes included in the February Capital Programme report to Council are subject to further reports to Members to formally release the budgets. At the March and April Cabinets, reports were presented showing detailed expenditure plans for many of these schemes thereby releasing the funding. In this report, Adult Social Care and the Level Heritage Lottery schemes included in the Capital Programme in February are detailed in Appendix 3. Private Sector Renewals and Disabled Facilities Grants, also reported under new schemes in February, have been included as variations within this report.

Implications for the Medium Term Financial Strategy (MTFS)

- 3.19 The council's MTFS sets out resource assumptions and projections over a 3-year period. It is periodically updated including a major annual update which is included in the annual revenue budget report to Policy & Resources Committee and Full Council. This section highlights any potential implications for the current MTFS arising from in-year TBM monitoring above and details any changes to financial risks together with any impact on associated risk provisions, reserves and contingencies. Details of Capital Receipts and Collection Fund performance are also given below because of their potential impact on future resources.
- 3.20 No significant implications for the MTFS have been identified at Month 2. Details of risk provisions currently held are given in the Corporate Budgets section of Appendix 1.

Capital Receipts Performance

- 3.21 Capital receipts are used to support the capital programme. 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 and projects such as the Strategic Investment Fund, Asset Management Fund, ICT Fund and the Workstyles VFM projects. For 2012/13 no capital receipts have been received to date. Projected receipts for the year include Charter Hotel, Kings Road and the Ice Rink at Queen's Square.
- 3.22 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 net usable receipts for 'right to buy' sales in 2012/13 is £0.400m and to date £0.059m has been received.

- 3.23 The first tranche of receipts totalling £1.208m from the housing Local Delivery Vehicle (LDV) have been received in 2012/13. A total balance of £12.904m is expected for the year. The net receipts are ringfenced to support investment in council owned homes.

Collection Fund Performance

- 3.24 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. It is currently forecast to break even by 31st March 2013. This forecast includes the improved position of £0.162m resulting from a lower than anticipated deficit at 31st March 2012.

Comments of the Director of Finance (S151 Officer)

- 3.25 This report provides an early forecast for 2012/13 and does not yet include a full review of all budgets. There are therefore likely to be further variations to report to Policy & Resources Committee at its next meeting in October. Overall the forecast on the revenue budget is encouraging given the substantial budget savings being implemented but the council will need to maintain its rigorous financial management in order to continue to address the ongoing impact of reductions in government grant funding over coming years.

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: 20/06/2012

Equalities Implications:

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

Sustainability Implications:

- 5.4 There are no direct sustainability implications arising from this report. The Month 5 report to be reported to this committee in October will include progress against the carbon budget.

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 overspend of £0.522m. Any overspend at year-end would 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. Revenue Budget Performance
2. Capital Budget Performance
3. Capital Budget Changes (New Schemes)
4. Value for Money Programme Performance

Documents in Members' Rooms:

None.

Background Documents

None.

Appendix 1 – Revenue Budget Performance

People - Revenue Budget Summary

2011/12 Provisional Outturn £'000	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
Unit				
(1,212)	20,077	19,542	(535)	-2.7%
(494)	5,096	4,986	(110)	-2.2%
(373)	37,082	37,247	165	0.4%
(2,079)	62,255	61,775	(480)	-0.8%
(295)	1,204	1,163	(41)	-3.4%
(1,909)	49,597	48,823	(774)	-1.6%
(47)	13,423	13,745	322	2.4%
(2,251)	64,224	63,731	(493)	-0.8%
(4,330)	126,479	125,506	(973)	-0.8%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Commissioner – Children, Youth & Families			
(535)	Corporate Critical - Children's Agency Placements	There is an underspend of £1.000m in respect of residential agency placements resulting from lower than budgeted numbers of children placed and average unit costs. There is a projected overspend of £0.065m on secure placements. However, this is an extremely volatile service area with very high unit costs and one or two placements can have a significant impact on the budget position.	Although underspending in total, there are areas of pressure within Children's Agency Placement budgets. In particular, the Children's Services Value for Money (VFM) project is effectively addressing the level of activity and spend in IFAs. The plan focuses on strengthening preventive services and streamlining social care processes including: <ul style="list-style-type: none"> implementing a tiered approach to the procurement of placements for looked after

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
n/a	Community Health Services	The numbers of children placed in independent foster agency (IFA) placements continues to rise. During 2011/12 there were 164.52 FTE placements representing a 13.5% increase on the previous year (following a 23% increase from 2010/11). Currently there are 218.35 projected FTE placements against a budgeted number of 205.5 placements. This results in an anticipated overspend of £0.400m.	<p>children, reducing the proportion of high cost placements</p> <ul style="list-style-type: none"> 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 restructuring of social work services in the Children's Delivery Unit <p>The projections above assume that the risks described here will not create additional pressures in the Council's budget. These pressures are not accepted by the Commissioner for Children, Youth & Families, are subject to further discussion, and therefore have not been included in the overall projection.</p>
Commissioner – Learning & Partnership			
(110)	Home to School Transport	There is an underspend of £0.150m which 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 partially offset by an overspend of £0.040m relating to the identified saving in denominational transport which is not now achievable as the proposal will now commence from September 2013 rather than September 2012.	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Delivery Unit – Children & Families			
(165)	Corporate Critical - Disability Agency Placements	Although the projected number of children with disabilities placed is in line with the budget, the average unit costs are lower than anticipated resulting in the underspend.	
180	Social Work Teams	Following the reorganisation of the Social Work Teams in 2011/12 it is not anticipated that there will be any budget variance relating to staffing in this service. There is, however considerable pressure on the transport budget which it is anticipated will overspend by £0.100m in 2012/13. In addition there are a number of accommodation changes taking place and it is estimated that these combined with historic premises budget pressures may result in overspends of £0.080m in 2012/13.	Costs will be monitored closely over the next few months and efforts made to reduce costs or identify mitigating savings to bring this budget back in balance where possible.
150	Management & Administration Savings	There is also a potential overspend resulting from the current shortfall in the Management and Admin savings target for this branch. The original target of £0.697m was subsequently reduced to £0.447m but savings identified through the Voluntary Severance Scheme and use where appropriate of the Dedicated Schools Grant (DSG) have left a shortfall still to be found of £0.150m.	Vacancies will be scrutinised carefully to consider further potential opportunities to contribute to this saving as and when they arise.
Commissioner – People			
(41)	Commissioner – People	Minor underspend variances.	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Delivery Unit – Adults Assessment			
See below	Assessment Services	An underspend of £0.774m is reported at Month 2 (representing 1.6% of the net budget). The service managed to both deliver a challenging savings target during 2011/12 and finish the year with an underspend of approximately £2m. Early indications are that significant progress is being made in meeting the 2012/13 savings target, albeit that some alternative savings have been identified to help offset those areas that are proving more difficult. There is a risk of £0.400m against extra care housing in particular. The underspend of £0.774m is split against client groups as follows:	
(519)	Corporate Critical - Community Care Budget (Older People)	Older People services are showing an underspend of £0.519m which is a continuation of the financial trends seen during 2011/12 and builds upon the success of re-ablement and other initiatives in delivering ongoing efficiencies.	
(237)	Corporate Critical - Community Care (Learning Disability)	Learning Disabilities are showing an underspend of £0.237m due mainly to the full year effect of management decisions taken during 2011/12 and over-achievement of financial recovery plan targets for the current financial year.	
(18)	Corporate Critical – Comm. Care Physical Disabilities and No Recourse to Public Funds (NRPF)	Minor underspend variances.	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Delivery Unit – Adults Provider			
322		<p>Provider Services are reporting a pressure of £0.322m at Month 2 due to the risks against delivery of budget strategy savings on Learning Disabilities Accommodation as a result of the deferment of a decision at Adult Care & Health Committee.</p>	<p>The position will be closely monitored and reviewed over the next couple of months. Updated proposals for the Learning Disabilities Accommodation Strategy will be taken to a future meeting of Adult Care & Health Committee.</p>

Appendix 1 – Revenue Budget Performance

Place - Revenue Budget Summary

2011/12 Provisional Outturn £'000	Unit	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
193	Commissioner - City Regulation & Infrastructure	3,032	3,032	0	0.0%
(445)	Delivery Unit - City Infrastructure	21,106	21,445	339	1.6%
(17)	Delivery unit - Planning & Public Protection	4,704	4,704	0	0.0%
(38)	Major Projects	228	228	0	0.0%
(307)	Total City Regulation & Infrastructure	29,070	29,409	339	1.2%
(506)	Commissioner - Housing	15,318	15,614	296	1.9%
205	Delivery Unit - Housing & Social Inclusion	502	502	0	0.0%
(301)	Total Housing	15,820	16,116	296	1.9%
(608)	Total Revenue - Place	44,890	45,525	635	1.4%

Explanation of Key Variances:

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
319	Corporate Critical - Parking Operations	Delivery Unit - City Infrastructure	
		There is a shortfall in the level of on-street pay and display income which has led to a shortfall against budget of £0.400m. There is a clear pattern of poor weather having a particularly negative impact on the on-street parking revenue. Uncertainty over the level of the contribution from NCP for the two leased car parks has led to a forecast overspend of £0.100m.	The off-street car parks are forecast to underspend against budget by £0.031m. Efficiencies in the removals service and enforcement contract variations will lead to expenditure savings of £0.150m. These will partially offset the risks described opposite.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
20	Other Sustainable Transport	There is a forecast overspend of £0.011m relating to staff overtime costs and £0.009m for transport costs.	Costs will be monitored closely and efforts made to bring the budget back in line.
Commissioner – Housing			
359	Corporate Critical - Temporary Accommodation & Allocations	The main pressure on Temporary Accommodation is from an expected increase in Bed and Breakfast spot purchase accommodation based on an average of 20 additional clients. The forecast also includes additional staffing costs which are required to manage the expected increase in clients & homeless applications. Collection rates of Housing Benefits in Bed and Breakfast are higher than forecasted and this excess is needed for shortfall provisions in Housing Benefits and subsidy loss which combine to an estimated total of £0.300m. The forecast includes an allowance for the more expensive renewal of landlord rents and for additional properties being more expensive.	This is a known service pressure area that needs to be managed in the context of the whole council budget position and considered in setting the 2013/14 and 2014/15 budget.
47	Housing Strategy & Development	The main pressure is from staffing within the Housing Strategy team based on spend to date.	Costs will be monitored closely and efforts made to bring the budget back in line.
(107)	Lead Commissioner	There is an under-spend against this service from over-achievement of value for money Management & Admin savings and savings against budgeted pension contributions which is being used to offset pressure against other services within Commissioner - Housing described above.	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
(3)	Other Commissioner - Housing	<p>In Housing Support Services there are internal pressures from loss of Supporting People funding (£0.161m), Landlord rent increases above 2% (£0.025m) and an inflationary increase on income budgets, agreed by Cabinet on 14th July 2011 on Housing Benefits and Client Contributions (£0.020m).</p> <p>In Private Sector Housing proposed HMO licence fees (subject to Housing Committee decision) have been set at a level that is reasonably expected to cover the costs of providing the service over the 5 year period. We are anticipating capitalising directly attributable costs against estates regeneration/ building new council homes of our own employees arising in the construction of any asset; this is to be confirmed.</p>	<p>These Housing Support Services pressures are largely offset by a reconfiguration of the service, a new lease agreement and an increase in Housing Benefit income through the use of additional rooms in all 3 hostels. There is a potential risk that additional staffing will be required to manage the units from an increase in numbers and vulnerability to cover the backlog.</p>

Appendix 1 – Revenue Budget Performance

Communities - Revenue Budget Summary

2011/12 Provisional Outturn £'000	Unit	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
11	Commissioner - Communities & Equalities	2,924	2,924	0	0.0%
(21)	Community Safety	2,132	2,132	0	0.0%
(5)	Commissioner - Sports & Leisure	1,157	1,157	0	0.0%
(21)	Commissioner - Culture	1,888	1,888	0	0.0%
(3)	Delivery Unit - Tourism & Leisure	3,051	3,597	546	17.9%
(39)	Total Revenue - Communities	11,152	11,698	546	4.9%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Commissioner – Sport & Leisure			
0	Sport and Leisure	The forecast across Sport and Leisure commissioning budgets is currently break-even. However, the revenue implications of the recent surrender at short notice by the previous tenant of the Saltdean Lido lease are yet to be reflected. This is because a full assessment of the facility can only now take place with the Lido returned to the council and options developed for the future of the facility.	
Delivery Unit – Tourism & Leisure			
446	Venues	The Venues forecast overspend is due to the loss of the 2013 Holiday On Ice Show at £0.180m, reduced bookings for conferences and exhibitions at £0.144m and reduced bookings for entertainments at £0.122m.	In all areas actual and forecast income is closely reviewed and action is being taken to maximise any future business opportunities.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
100	Royal Pavilion and Museums	The Royal Pavilion and Museums forecast overspend is due mainly to security costs of £0.040m and an energy pressure of £0.060m resulting from a review of usage of shared facilities with the Dome.	In all areas actual and forecast income is closely reviewed and action is being taken to maximise any future business opportunities.

Appendix 1 – Revenue Budget Performance

Resources & Finance - Revenue Budget Summary

2011/12 Provisional Outturn £'000	Unit	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
(497)	Delivery Unit - City Services	13,013	13,041	28	0.2%
(551)	Housing Benefit Subsidy	(752)	(752)	0	0.0%
(32)	Resources	17,798	17,970	172	1.0%
(248)	Finance	6,322	6,322	0	0.0%
(42)	Strategic Leadership Team	1,168	1,168	0	0.0%
(1,370)	Total Revenue - Resources & Finance	37,549	37,749	200	0.5%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Delivery Unit – City Services			
28	City Services	There are pressures on postage budgets within Revenues & Benefits of £0.018m and a pressure of £0.010m across Life Events.	Pressures are being actively managed to minimise or reduce costs. The risks against delivery of savings are also being reviewed and will be reported on over the next couple of months.
Resources			
0	Human Resources	The Human Resources Systems Thinking review is in progress; the transformation fund will fund the review along with specific direct investment required to improve service efficiency. The review is expected to inform the future resourcing requirements of the service and determine any potential savings or underlying budget pressure.	It is expected that any efficiencies delivered in the year will be used to maintain a breakeven position.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
30	Communications	<p>Communications are forecasting an overspend of £0.030m in 2012/13. This is mainly from staffing pressures resulting from increased demand and delivery of the communications strategy. This assumes the delivery of agreed savings of £0.039m made from ceasing the publication of City News and a further £0.040m against staffing. Revenue income of £0.150m is currently forecast from advertising and sponsorship contracts which are due to be awarded in July 2012. Additional revenue of £0.025m has been generated from external clients. Further revenue of £0.080m is expected to be generated but there are significant risks attached to this forecast. These include competitive tenders, completion of contracts before the end of the financial year and market instability in terms of the size of contracts awarded.</p>	<p>Savings continue to be made on communications across the council as a result of consolidating budgets. The overall spend on council-wide communications was reported at £2.900m for 2011/12 and work is ongoing to deliver greater efficiencies as part of the overall value-for-money programme. Additional revenue income opportunities will be explored wherever possible.</p>
142	ICT	<p>The main risks relate to delivery of the savings target for upgrading of telephony services (£0.060m) an element of which relates to the VFM programme as described in Appendix 4. Other risks include an operating cost pressure associated with equipment replacement, increased security compliance (£0.068m) and income pressures (£0.014m).</p>	<p>This is an early forecast which indicates that the ICT budget is under pressure. However, costs will be closely monitored and opportunities for cost reduction and other savings will be kept under review to balance the budget.</p>

Appendix 1 – Revenue Budget Performance

Corporate Budgets - Revenue Budget Summary

2011/12 Provisional Outturn £'000	Unit	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
242	Bulk Insurance Premia	3,419	2,994	(425)	-12.4%
(408)	Concessionary Fares	9,696	9,696	0	0.0%
205	Capital Financing Costs	8,862	9,212	350	3.9%
1	Levies & Precepts	167	167	0	0.0%
2,463	Corporate VfM Projects	(448)	(243)	205	45.8%
(1,125)	Risk Provisions	3,506	3,506	0	0.0%
1,138	Other Corporate Items	(33,475)	(33,491)	(16)	0.0%
2,516	Total Revenue - Corporate Budgets	(8,273)	(8,159)	114	1.4%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Bulk Insurance Premia			
(425)	Bulk Insurance Premia	The budget for 2012/13 was increased by £0.410m to reflect the forecast increase in premium rates following an anticipated retendering exercise of some of the portfolio from 1 April 2012. In order to maximise value for money it was decided to defer the retendering so that all the council's insurance cover could be retendered at the same time from 1 April 2013. Negotiations to extend agreements with existing insurers were concluded with minimal changes in existing rates therefore the increased budget provision for this year will not be required. There is also a small forecast underspend on insurance claims expected to be paid during this year.	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Capital Financing Costs			
350	Capital Financing Costs	There is an anticipated £0.375m pressure on financing costs due to reduced HRA borrowing as at 31 st March 2012 compared to that anticipated at budget setting time. With effect from 1 st April 2012 HRA borrowing is separate from other council borrowing. This has resulted in a greater element of the financing costs of the authority impacting on the General Fund than anticipated.	Where possible, underspends on other corporate budgets will be used to mitigate this pressure, notably Bulk Insurance Premia.
Corporate VFM Projects			
205	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 targets are shown under Corporate Budgets awaiting allocation to individual service budgets as and when savings are identified and/or confirmed. If all savings are identified and achieved in 2012/13, the Corporate VFM Projects savings target above will reduce to zero by the end of the financial year.	Details of VFM Programme performance and variances are given in Appendix 4.
Risk Provisions			
0	Risk Provisions	There is a one-off risk provision of £1.000m and permanent risk provisions of £1.000m (general) and £0.863m (pay related matters). In addition, there are contingency budgets totalling £0.643m which consist of £0.392m for Historic Records Centre financing costs, £0.160m for carbon reduction commitments and £0.091m of general contingency. At this early stage in the year the forecast assumes that these budgets will be fully committed. This will be kept under review as the year progresses and, if appropriate, amounts may be released to support the overall position.	
Other Corporate Items			
(16)	Corporate	Additional income relating to the Learning Disabilities & Health	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
	Unringfenced Grants	Reform Grant.	

Housing Revenue Account - Revenue Budget Summary

2011/12 Provisional Outturn £'000	Housing Revenue Account	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
	Housing Revenue Account				
(572)	Employees	8,981	8,807	(174)	-1.9%
(538)	Premises – Repair	10,645	10,615	(30)	-0.3%
(20)	Premises – Other	3,442	3,442	0	0.0%
(469)	Transport & Supplies	2,042	2,042	0	0.0%
(67)	Support Services	1,981	1,981	0	0.0%
23	Third Party Payments	55	55	0	0.0%
-	Revenue contribution to capital	18,084	18,642	558	3.1%
(229)	Capital Financing Costs	7,777	7,219	(558)	-7.2%
(280)	Subsidy Payable	0	0	0	0.0%
(2,152)	Net Expenditure	53,007	52,803	(204)	-0.4%
83	Dwelling Rents (net)	(46,702)	(46,702)	0	0.0%
32	Other rent	(1,246)	(1,246)	0	0.0%
1	Service Charges	(4,152)	(4,152)	0	0.0%
(18)	Supporting People	(465)	(465)	0	0.0%
35	Other recharges & interest	(842)	(842)	0	0.0%
133	Net Income	(53,407)	(53,407)	0	0.0%
(2,019)	Total	(400)	(604)	(204)	-51.0%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Housing Revenue Account			
(174)	Employees	This relates to vacancies throughout the service during the first few months of the year while recruitment to the new Housing and Social Inclusion structure is being finalised.	
558	Revenue Contribution to Capital	It is proposed to use the savings on Capital Financing costs (see below) to increase the revenue contribution to the capital programme in 2012/13 by the same amount, thereby reducing the need to borrow in future years which further reduces financing costs for the HRA. A transfer (virement) of budget between these two areas is therefore requested.	It is proposed to meet this expenditure by a transfer of funds requested from the Capital Financing budget (see below).
(558)	Capital Financing Costs	Capital financing costs are forecast to underspend by an estimated £0.558m due to a lower than anticipated borrowing requirement by the HRA for last financial year and the reduction in the self financing settlement payment due to the Government.	

NHS Trust Managed S75 Budgets - Revenue Budget Summary

2011/12 Provisional Outturn £'000		2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
S75 Partnership					
(290)	Sussex Partnership Foundation NHS Trust (SPFT)	12,147	12,155	8	0.1%
(249)	Sussex Community NHS Trust (SCT)	2,437	2,273	(164)	-6.7%
(539)	Total Revenue - S75	14,584	14,428	(156)	-1.1%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note WTE = Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Sussex Partnership Foundation NHS Trust			
8	SPFT	Sussex Partnership Foundation NHS Trust (SPFT) are reporting an overspend of £0.008m at Month 2. The forecast shows that almost half of the £0.326m budget strategy savings target has already been achieved. However, there continue to be pressures against the Adult Mental Health Community Care budget from a lack of suitable accommodation, for which there is a specific savings target in the Financial Recovery Plan. In line with the agreed risk-share arrangements for 2012/13 any overspend will be shared 50/50 between SPFT and BHCC.	
Sussex Community NHS Trust			
(164)	SCT	Sussex Community NHS Trust (SCT) are reporting an underspend of £0.164m, mainly as a result of savings against the HIV budget. This is a continuation of the position from 2011/12 and the savings are broken down between Community Care (£0.081m), commissioning budgets (£0.063m) and mainstream staffing savings (£0.027m). There is a small pressure of £0.007m against the Integrated Community Equipment Store (ICES) budget.	

People – Capital Budget Summary

2011/12 Outturn Variance £'000	Unit	2012/13 Original Budget £'000	Approved at other Meetings £'000	New Schemes Appendix 3 £'000	Variation, Slippage or reprofile £'000	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
14	Commissioner - Learning & Partnership	25,664	0	90	1,339	27,093	27,093	0	0.0%
(17)	Delivery Unit - Children's & Families	351	0	42	0	393	393	0	0.0%
(3)	Total Children's Services	26,015	0	132	1,339	27,486	27,486	0	0.0%
0	Commissioner - Adult Services	149	0	0	0	149	149	0	0.0%
0	Delivery Unit - Adults Provider	73	0	373	105	551	551	0	0.0%
0	Delivery Unit - Adults Assessment	367	0	0	0	367	367	0	0.0%
0	Total Adult Services	589	0	373	105	1,067	1,067	0	0.0%
(3)	Total People	26,604	0	505	1,444	28,553	28,553	0	0.0%

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£'000	Project	Description	Mitigation Strategy
Commissioner – Learning & Partnership				
Variation	1,339	New Pupil places	A report was presented to Cabinet in March showing the allocation of Structural Maintenance, Pupil Places and Condition cost centres within Commissioner – Learning & Partnership for 2012/13. Since then there has been an additional allocation of £1.840m of grant for 2012/13 and £1.339m has been allocated mainly to a new school at the former Hove Police Station (see report elsewhere on this agenda). The remaining	

Appendix 2 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			£0.501m will be allocated later in the year. Approval for a budget variation of £1.339m is therefore requested.	
Delivery – Adults Provider				
Variation	105	Telecare	In order to support an ageing population with increasing social care needs, The Council are increasing the use of technology (Carelink and Telecare) in peoples homes to support them to continue living independently at home (this includes fire and flood alerts, gas safety alerts, and medication reminders). Telecare can provide a more cost effective and less intrusive alternative to traditional homecare. The risks of not investing in technology are that this will increase costs of alternative care and increase admissions into residential care. This will be funded from Adult Social Care capital resources as set out in the February Capital Programme report to Council. Approval for a budget variation of £0.105m is therefore requested.	

Appendix 2 – Capital Programme Performance

Place – Capital Budget Summary

2011/12 Outturn Variance £'000	Unit	2012/13 Original Budget £'000	Reported At other Meetings £'000	New Schemes in Appendix 3 £'000	Variation, Slippage or reprofile £'000	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
161	Commissioner - City Regulation & Infrastructure	7,325	0	1,610	0	8,935	8,935	0	0.0%
(404)	Delivery Unit - City Infrastructure	7,225	0	0	0	7,225	7,225	0	0.0%
(1)	Major Projects	866	0	0	0	866	866	0	0.0%
(244)	Total City Regulation & Infrastructure	15,416	0	1,610	0	17,026	17,026	0	0.0%
1	Commissioner - Housing	4,787	0	0	2,223	7,010	7,010	0	0.0%
(1,299)	Delivery Unit - Housing & Social Inclusion (HRA Capital)	38,768	0	0	0	38,768	38,768	0	0.0%
(1,298)	Total Housing	43,555	0	1,610	2,223	45,778	45,778	0	0.0%
(1,542)	Total Place	58,971	0	1,610	2,223	62,804	62,804	0	0.0%

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£'000	Project	Description	Mitigation Strategy
Commissioner – Housing				
Variation	1,500	Private Sector Housing Renewal	The Government announced as part of the autumn 2010 Comprehensive Spending Review that further Regional Housing Board private sector housing renewal funding would not be made available. Therefore the BEST funded Private Sector Housing Renewal capital programme came to an end.	

Appendix 2 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			<p>In light of the above, Council (23 February 2012 budget meeting) agreed revenue support for capital funding of £1.500m for 2012/13 to fund a private sector housing renewal programme subject to further information being presented to Members.</p> <p>This housing renewal capital funding supports Private Sector Housing Renewal Assistance Policy investment priorities, making best use of private sector housing and improving homes of eligible vulnerable households through a range of measures including: renewal assistance for private sector decent homes; energy efficiency measures; Disabled Facilities Grant 'top up' & assistance; and bringing empty private sector homes back into use.</p> <p>No private sector housing renewal capital funding is identified for 2013/14 at this time.</p>	
Variation	723	Disabled Facilities Grant	<p>Approval for a budget variation of £1.500m is therefore requested.</p> <p>The Council has been awarded £0.723m Disabled Facilities Grant (DFG) funding for 2012/13. Approval for this expenditure is sought. Disabled Facilities Grants are mandatory, and are not dependent on the Council's Housing Renewal Policy.</p> <p>However, the Housing Renewal Policy currently supports DFG funding through private sector housing renewal capital top-up and additional disabled assistance measures.</p> <p>Approval for a budget variation of £0.723m is therefore requested.</p>	

Appendix 2 – Capital Programme Performance

Communities - Capital Budget Summary

2011-12 Outturn Variance £'000	Unit	2012/13 Original Budget £'000	Reported at other Meetings £'000	New Schemes in Appendix 3 £'000	Variation, Slippage or reprofile £'000	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
0	Commissioner - Sports & Leisure	799	0	675	0	1,474	1,474	0	0.0%
563	Delivery Unit - Tourism & Leisure	3,524	0	0	0	3,524	3,524	0	0.0%
563	Total Capital Communities	4,323	0	675	0	4,998	4,998	0	0.0%

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

At Month 2 there are no items to report for Communities.

Appendix 2 – Capital Programme Performance

Resources & Finance - Capital Budget Summary

2011-12 Outturn Variance £'000	Unit	2012/13 Original Budget £'000	Approved at other Meetings £'000	New Schemes in Appendix 3 £'000	Variation, Slippage or reprofile £'000	2012/13 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
9	Delivery Unit - City Services	1,774	0	0	0	1,774	1,774	0	0.0%
74	Resources	8,867	0	35	500	9,402	9,402	0	0.0%
0	Finance	139	0	0	0	139	139	0	0.0%
83	Total Capital Resources & Finance	10,780	0	35	500	11,315	11,315	0	0.0%

Details of Variation requests and explanations of significant Forecast Variances, Slippage or Reprofiles are given below:

Detail Type	£'000	Project	Description	Mitigation Strategy
Resources				
Variation	270	ICT – Communications & infrastructure	<p>The capital budget for the Communications & Infrastructure scheme within ICT is at present £0.121m. Within the Budget agreed in February there is a provision of £0.500m resources for ICT under new schemes. Communications & Infrastructure requires £0.270m of this £0.500m to make a total budget of £0.391m. This budget will cover:</p> <p>£0.090m Telephony - This includes: procurement costs for Voice Services contract. Investment in a converged voice platform (removal of Centrex dependency). The Voice Services contract will be tendered in 2013. We are building on the existing telephony platform investment and upgrading to remove any remaining proprietary restrictions. The Council is committed in partnership with East Sussex County Council to award the Sussex Public Service Network contract during 2012.</p>	

Appendix 2 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			<p>£0.225m Network Infrastructure – This includes: procurement costs for the Sussex Public Service Network. Replacement of aged network switches and security appliances (e.g. firewalls). Upgrade of the local area network (LAN) capacity to support data traffic resulting from increased density of staff and the Workstyles programme. Changes to the core network infrastructure are also needed to accommodate the introduction of multiprotocol label switching (MPLS) technology i.e. faster network telecommunications.</p> <p>£0.076m Storage & Server Capacity – This includes: development of a data storage and backup solution to support current growth in data and Disaster Recovery (DR) capability. ICT will explore hosted or commoditised options to increase data storage, e.g. to support further rollout of electronic document management. This will include exploring the potential to move to a subscription based storage model (Cloud storage).</p>	
Variation	230	ICT – Information Management	<p>Approval for a budget variation of £0.270m is therefore requested.</p> <p>The capital budget for the Information Management scheme within ICT is at present £0.244m. Within the Budget agreed in February there is a provision of £0.500m resources for ICT under new schemes. Information Management requires the remaining £0.230m of this £0.500m to make a total budget of £0.474m. This budget will cover:</p> <p>£0.025m Common means of authenticating - Initial implementation of identity and authentication management ('single sign on' for users) to support citizen access, self service and improved opportunities for collaboration and partnership working.</p> <p>£0.100m Information System Integration - Initial implementation of a Customer Experience Platform (CEM) to develop a single personalised customer interface.</p>	

Appendix 2 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			<p>£0.075m Planning System Migration - The City Planning system migration project is well underway. Its completion will deliver a much improved customer service and support the system rationalisation.</p> <p>£0.174m Implement Target Server Architecture – This includes: migration to a single platform which will deliver improved management of the content within our intranet and internet environments. Data mapping in support of intelligence usage, data matching and records management. Initial development of a customer index.</p> <p>£0.100m Information Governance and Security - Internal data security and extension of Sharepoint for external partners.</p> <p>Approval for a budget variation of £0.230m is therefore requested.</p>	

Appendix 3 – Capital Programme Changes

New Capital Project Approval Request				
Unit:	Commissioner – Learning & Partnership			
Project title:	St Bartholomew's School Playground Improvements			
Total Project Cost (All Years)	£90,000			
Purpose, benefits and risks:				
This project is for the refurbishment of St Bartholomew's School Playground and is to be funded from S106 monies.				
Capital expenditure profile (£'000):				
Year	2012/13	2013/14	2014/15	TOTAL
S106 Funding	90	0	0	90
Total estimated costs and fees	90	0	0	90
Financial implications:				
Section 106 Agreements (S106) and Unilateral Undertakings are types of Planning Obligation authorised by Section 106 of the Town and Country Planning Act 1990. They are legal agreements between the Local Planning Authority and the applicant / developer and aim to balance the extra pressure created by new developments with improvements to ensure that the new development makes a positive contribution to the local area and community.				

New Capital Project Approval Request				
Unit:	Delivery Unit - Children & Families			
Project title:	Tamer Lift			
Total Project Cost (All Years):	£42,000			
Purpose, benefits and risks:				
<p>The Tamer lift is continually breaking down with resultant problems for the Children's Centre and the Friends Centre. The Council is required to improve this lift to meet Health & Safety guidelines.</p>				
Capital expenditure profile (£'000):				
Year	2012/13	2013/14	2014/15	TOTAL
Capital Reserves	42	0	0	42
Total estimated costs and fees	42	0	0	42
Financial implications:				
<p>In March 2012 funding was set aside for this from revenue for the cost of these improvements and this was put into capital reserves to fund the works in 2012/13.</p>				

New Capital Project Approval Request

Unit:	Delivery – Adults Provider			
Project title:	Learning Disability Accommodation			
Total Project Cost (All Years):	£373,300			
Purpose, benefits and risks:				

Council-provided accommodation for people with learning disabilities requires capital works to maintain a safe and effective environment that meets residents' needs. Details of capital works need to be further considered following the decision at Adult Care and Health Committee to defer consideration of the learning disabilities accommodation strategy. Adaptations and reconfiguration will be required to ensure that specific needs of the disabled residents are met. The risks of not adapting the homes are that people with challenging behaviour will be unable to be accommodated safely in the City. The benefits are that we will be able to support more people with high level needs in the City than at present and at reduced cost.

Capital expenditure profile (£'000):				
Year	2012/13	2013/14	2014/15	TOTAL
Grant Funding	373	0	0	373
Total estimated costs and fees	373	0	0	373
Financial implications:				

The following capital works were identified to support the report on "Re-modelling in-house accommodation for people with a learning disability" presented to Adult Care & Health Committee on 25 June 2012, and to realise future revenue savings:

- Rutland Gardens £149,000 - Rear extension, new kitchen, new bathroom and some re-modelling.
- 83 Beaconsfield Villas £36,300 - Relocate kitchen to lounge area to create extra bedroom.
- 20 Windlesham Road - Top floor £188,000 - Convert into self-contained flat.

The detail of the capital plans may need to change as a result of the deferment of the decision to re-model the accommodation.

This new scheme will be funded from the social services grant funding approved by Cabinet in February 2012.

New Capital Project Approval Request

Unit:	Commissioner - City Regulation & Infrastructure
Project title:	The Level Restoration Project
Total Project Cost (All Years):	£2,150,000
Purpose, benefits and risks:	

A successful bid was made to the Heritage Lottery Fund and Big Lottery Fund 'Parks for People' grant. The overall project value for the bid is £2.900m and this includes increased Management & Maintenance costs for the first 5 years (once the capital works are completed), additional project staff, costs for the Activity Programme, capital works and professional fees. The table below shows the detailed costings of the scheme.

The Capital Costs elements of this project total £2.150m and include:

- Demolition and removal of: buildings that house staff facilities, the small building being used as the Rangers Hut, skate park ramps, play equipment, hard surfacing, old fencing and park furniture;
- Restoration of the 1930's design layout of the south end of the park which includes the original symmetrical layout of the paths and planting beds and the two Pavilion buildings, bridges, columns and pergolas;
- Restoration of full footprint of the original boating pond as a new interactive water fountain feature;
- Creation of a new sensory garden, lawns and pétanque area in the south end of the park; and
- Construction of a new building housing the café with indoor and outdoor terrace seating, public toilets and staff facilities.

Approval to adopt the new Master Plan for The Level and submit our Heritage Lottery Fund bid was granted at the Environment, Transport & Sustainability Cabinet Members Meeting on the 5th July 2011 (Item 11).

Capital expenditure profile (£'000):

Year	2012/13	2013/14	2014/15	TOTAL
Heritage Lottery Fund	1,241	664	0	1,905
S106 Developers Contribution	74	60	0	134
Revenue Contribution to Capital	111	0	0	111
Total estimated costs and fees	1,426	724	0	2,150

Financial implications:

The funding from the various sources has been secured and the financial implications are contained within the table above. There are no ongoing revenue implications.

New Capital Project Approval Request

Unit: Commissioner – City Regulation & Infrastructure
 Project title: The Level Playground Project
 Total Project Cost (All Years): £278,000

Purpose, benefits and risks:

Separate to the above bid, there are also plans to replace the playground at The Level. This was not included in the bid as Section 106 funding was already assigned for this piece of work. We have also been successful in securing some funding from the Short Breaks for Disabled Children Capital Grant to make the playground more inclusive for children with disabilities. This money will be spent on sensory play equipment and also on the electronic equipment needed for a new Changing Places toilet which is being built as part of the larger Heritage Lottery funded Restoration Project.

Plans to build a new playground were included in the Master Plan which was signed off at Environment, Transport & Sustainability Cabinet Members Meeting on the 5 July 2011 (Item 11).

Capital expenditure profile (£'000):

Year	2012/13	2013/14	2014/15	TOTAL
Short Breaks for Disabled Children	43	22	0	65
S106 Expenditure	141	72	0	213
Total estimated costs and fees	184	94	0	278

Financial implications:

The funding from the various sources has been secured and the financial implications are contained within the table above.

New Capital Project Approval Request

Unit: Commissioner – Sports & Leisure
Project title: All Weather Pitch (Stanley Deason Leisure Centre)
Total Project Cost (All Years): £175,000

Purpose, benefits and risks:

There are two Artificial Grass Pitches (AGPs) located at Stanley Deason Leisure Centre which are important community facilities, popular with sports clubs, schools and colleges. They attract approximately 100,000 participants pa. The lower pitch is approximately 15 years old and has come to the end of its life. The pitches are heavily used and the surface of the lower pitch is now very worn. The project involves the replacement of the lower pitch with a new, technically superior surface. The technology of AGPs has moved on considerably from when the lower pitch was originally laid and there is strong demand from users for an upgraded, modern surface. The project will provide a much better quality playing surface for ball sports whilst still being suitable for recreational hockey.

The council recently published a new Sports Facilities Plan for the city which highlighted a number of deficiencies in the provision of suitable sports facilities. One of the 8 key recommendations is to 'improve the quality and quantity of Artificial Grass Pitches'. This project will therefore directly help in meeting this recommendation.

The only alternative option is to continue operating the AGP in its current condition. This is not being considered as it would be detrimental to existing users who are then likely to stop using it. A decline in usage would contravene the council's commitment within the city Sports & Active Living Strategy to increase participation in sport and recreation. There would also be safety concerns about the quality of the surface if it was left to deteriorate further.

The project will require some specialist advice on the different types of surface and we shall consult with Freedom Leisure, who operate Stanley Deason Leisure Centre on behalf of the council as part of the citywide Sports Facilities Contract.

Capital expenditure profile (£'000):				
Year	2012/13	2013/14	2014/15	TOTAL
Unsupported Borrowing	175	0	0	175
Total estimated costs and fees	175	0	0	175
Financial implications:				

The all weather pitch will be funded from unsupported borrowing to be repaid over 15 years. The revenue funding needed for this (£0.019m pa) is included in the approved revenue budget.

New Capital Project Approval Request

Unit: Commissioner – Sports & Leisure
 Project title: Withdean Running Track
 Total Project Cost (All Years): £500,000

Purpose, benefits and risks:

The improvement of athletics facilities is central to the development of Withdean Sports Complex as a major multi sport hub. One of the 8 key recommendations of the council's Sports Facilities Plan 2012 - 2022 is to "Improve existing athletics facilities including replacement of the track at Withdean".

The project will replace the existing track surface as well as run up surfaces for pole vault, high jump, javelin and long / triple jump. The track surface is considerably worn and needs to be replaced to prevent further deterioration and decline in use. The track was originally laid in 1980 and re-sprayed in 1999. It is currently sustained in use through a series of patches and repairs. An inspection report (March 2012) by Peter Sutcliffe, UK Athletics Safety and Facilities Manager, recommended early replacement as the most effective and economic way of planning the long term future of the track.

The lead resident clubs – Brighton and Hove City Athletics Club and Phoenix Athletics Club - have identified the negative impact which the decline in standard of the track has upon their operations. Increasingly their own athletes are training elsewhere mainly in order to avoid injury from the hardness of the track; prospective members are discouraged and the clubs cannot promote significant meets at the track. Withdean, which used to be a major venue for athletics up to national standard including hosting the AAA Junior Championships, now has only one county event per year. A refurbished track will considerably enhance the standard of events that can be held at Withdean.

The track is significant to local schools and the city's two universities, with a combined total of 33,000 students, neither of which has a track of its own. Throughout the city, among athletes and non athletes, there is a strong recognition of the role which the track plays and the opportunities that will be created by the project.

Capital expenditure profile (£'000):

Year	2012/13	2013/14	2014/15	TOTAL
Unsupported Borrowing	500	0	0	500
Total estimated costs and fees	500	0	0	500

Financial implications:

The all weather running track will be funded from unsupported borrowing to be repaid over 15 years. The revenue funding needed for this (£0.054m pa) is included in the approved revenue budget.

New Capital Project Approval Request				
Unit:	Resources – Property & Design			
Project title:	Brighton & Hove Farm Partnership			
Total Project Cost (All Years):	£35,000			
Purpose, benefits and risks:				
The Council has received £35,000 from the Environment Agency for groundwater protection in Brighton & Hove farms.				
Capital expenditure profile (£'000):				
Year	2012/13	2013/14	2014/15	TOTAL
Grant Funding	35	0	0	35
Total estimated costs and fees	35	0	0	35
Financial implications:				
Grant monies have been received from the Environment Agency for 'Groundwater Protection in Brighton & Hove Farms Partnership'.				

Value for Money Programme Performance

Projects	Savings Target £m	Achieved £m	Anticipated £m	Uncertain £m	Achieved %
Adult Social Care	1.172	0.155	1.017	0.000	13.2%
Children's Services	0.301	0.000	0.301	0.000	0.0%
ICT	0.361	0.135	0.182	0.044	37.4%
Procurement *	1.341	0.000	1.341	0.000	0.0%
Procurement (2011/12)	0.355	0.108	0.147	0.100	30.4%
Workstyles	0.270	0.200	0.070	0.000	74.1%
Systems Thinking/Process Efficiencies *	0.500	0.000	0.500	0.000	0.0%
Management & Admin	2.358	2.127	0.126	0.105	90.2%
Additional Management Savings 2012/13	0.275	0.000	0.275	0.000	0.0%
Client Transport	0.000	0.000	0.000	0.000	0.0%
Total All VfM Projects	6.933	2.725	3.959	0.249	39.3%

* These savings are 'non-cashable' and will be retained by the service areas in which they occur.

Explanation of 'Uncertain' VfM Savings:

Key Variances £'000	Description	Mitigation Strategy for Uncertain Savings
ICT		
44	A potential risk has arisen in relation to Telephony provision where anticipated savings may not be as high as expected. There are a number of contracts relating to this service area that need to be realigned in order to realise full potential savings and efficiencies.	ICT are continuing to work with Procurement Category Managers to review contractual arrangements and identify a possible route for restructuring contracts.
Procurement (2011/12)		
100	There is a residual saving of £0.355m held over from 2011/12 in relation to the Procurement VfM Project. £0.108m has been identified from Social Care contracts,	Contracts and supply categories (Category Management) are continually being reviewed as and when renewals, tenders and new procurements are notified. Where there

Key Variances £'000	Description	Mitigation Strategy for Uncertain Savings
	while a further £0.147m has been identified as potential savings. This leaves £0.100m yet to be identified from contracts where savings can be taken by the corporate centre.	is an opportunity to take a share of potential savings corporately, this will contribute to the outstanding 2011/12 savings target.
Management & Administration		
105	The achievement of the Management & Administration saving was underpinned by a Voluntary Severance Scheme (VSS). The outcome of the Scheme, in financial terms, indicates that approximately £1.142m was achieved in 2011/12 leaving a full-year effect saving of £2.358m to be achieved in order to achieve the full saving of £3.500m over the two years. Currently, the savings target is expected to be achieved with the exception of £0.105m which is at risk.	Overall, significant savings of £3.395m are expected to be delivered against the two-year target of £3.500m. Options for meeting the shortfall will be considered alongside opportunities to meet the Additional Management Savings 2012/13 VFM target.

AUDIT & STANDARDS COMMITTEE

Agenda Item 37

Brighton & Hove City Council

Subject: Internal Audit Progress Report 2012/13
Date of Meeting: 25th September 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
Wards Affected: All

FOR GENERAL RELEASE

1. Summary and Policy Context

- 1.1 The purpose of this report is to inform Members of the progress made against the Internal Audit Plan 2012/13, including outcomes of specific audit reviews completed, agreed management actions and Internal Audit Key Performance Indicators.
- 1.2 The Audit & Standards 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 2012/13, due by the end of March 2013.

2. Recommendations

- 2.1 That the Committee notes the progress made in delivering the Annual Internal Audit Plan 2012/13, outcomes achieved and current arrangements going forward to 31st March 2013.

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, which includes reporting the outcome of its work to the Audit & Standards Committee.
- 3.2 The Audit & Standards Committee's responsibilities include reviewing the Council's corporate governance arrangements, including internal controls and formal approval of an 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 2012/13 detailing the programme of audit reviews was approved by the previous Audit Committee at its meeting in April 2012.
- 3.4 The programme of audit reviews contained in the Internal Audit Plan 2012/13 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 2012/13

- 4.1 Table 1 below provides a summary of the progress made against the Internal Audit Plan 2012/13. During the period 1st April to 8th September 2012, the Internal Audit Team has commenced or completed 48 audit reviews.

Table 1: Internal Audit Plan 2012/13 Progress (Audit Reviews)

Audit Status	Explanation	No.
Not Started	Planned but not started	63
Fieldwork	In progress (Interviews, documenting, evaluating and testing of risks and controls)	28
Draft Report	Draft audit report issued and being agreed with client	7
Final Report	Audits completed and final report issued	13
		111

- 4.2 Audit & Business Risk is confident of completing the Annual Internal Audit Plan for 2012/13 through re-profiling of the plan and where required outsourcing a number of audit reviews to Deloitte under existing contract arrangements.

5. Changes to the Annual Internal Audit Plan

- 5.1 Members are advised that since the Internal Audit Plan 2012/13 was approved, there have been no significant changes made.

6. Audit Reviews Completed

- 6.1 Audit reports are issued as final once 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.
- 6.2 During the period 1st April to 8th September for Annual Internal Audit Plan 2012/13, 13 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 in respect of audit recommendations made.

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

Audit	Assurance Level	Agreed Actions and Priority		
		High	Medium	Low
Annual Governance Statement	-	-	-	-
External Funding	Substantial	0	5	1
Schools Electronic Payments to Suppliers (BACS)	Limited	1	4	0
Home Education	Substantial	0	2	0
Income Banking Arrangements	Reasonable	0	7	0
Housing Local Delivery Vehicle	Reasonable	0	5	0
Leasehold Service Charges	Substantial	0	3	0
Music Service	Substantial	0	3	1
Trading Standards	Substantial	0	4	0
ICON Cash Management Application	Limited	1	8	2
Homelessness Accommodation	Limited	4	8	0
Insurance	Reasonable	0	5	1
Brighton Centre Capital Works	Limited	4	5	0

- 6.3 Management actions have been agreed in response 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.
- 6.4 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.
- 6.5 There are currently five levels of audit assurance used by the Internal Audit Team and these are summarised as follows:

FULL	There is a sound system of internal control designed to achieve system and service objectives. All major risks have been identified and managed effectively.
SUBSTANTIAL	Whilst there is basically a sound system of internal control, there are weaknesses that could put system

	objectives at risk.
REASONABLE	Controls are in place but there are gaps in the process. There is therefore a need to introduce additional controls.
LIMITED	Weaknesses in the system of control and /or level of compliance are such as to put the system objectives at risk.
NO	Control is significantly weak or non existent leaving the system open to high levels of risk from abuse, fraud and error.

7. Advice and Support Corporate and Service Units

- 7.1 Demand from managers to provide professional, proactive advice and support continues to be high. This element of our work is seen as invaluable both corporately and at service level, particularly in areas of change management. By taking this proactive approach, often problems and risks to the council can be avoided.
- 7.2 Recent areas where advice has been provided include IT security, income control, human resource management, public health, major projects and welfare reform.

8. Counter Fraud Work

- 8.1 Since April 2012, 58 new cases of suspected irregularities have been identified or referred to Audit & Business Risk. Of these new cases, 38 related to potential housing fraud, principally illegal subletting.
- 8.2 Audit & Business Risk have continued to investigate data matches from the latest National Fraud Initiative (NFI) data which has so far identified overpayments/savings from fraud and error of £498k. As part of the NFI, arrangements are made to ensure compliance with the Data Protection Act in the sharing of data and ensuring data subjects are notified.

9. Implementation of Agreed Audit Actions (including Payroll)

- 9.1 When unacceptable risks are identified in audit reviews, recommendations are made and actions agreed in order to mitigate these through improvement of system controls.
- 9.2 Implementation reviews of agreed actions are usually carried out within six months of the issue of the final report.
- 9.3 Issues raised and the agreed management actions in respect of an audit of Payroll, have previously been reported to the Audit Committee. Concerns were expressed by Members over the level of outstanding actions to address the issues raised.

9.4 A further implementation review was therefore carried out in September on the agreed management actions. The situation has significantly improved from that reported in February 2012. Table 3 below shows the current assessed status for the implementation of agreed management actions in respect of the audit reviews carried out in 2010/11 and 2011/12.

Table 3 – Implementation Status of Agreed Management Actions for Payroll Audit Review (2)

Implementation Status	2010/11	2011/12
Fully	9	12
Partially/In Progress	4	2
Not	0	1

10. Performance of Internal Audit

10.1 To achieve planned coverage and deliver a high quality service there are 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 4 provides an overview of the performance of the Internal Audit team against the key targets set.

Table 4: Performance against targets

Performance Indicators	Target for Year	Actual to Date
Effectiveness		
% of recommendations agreed	97%	96%
% implementation of agreed management actions	85%	82%
Efficiency		
% of productive time	71%	72%
% of draft reports issued within 10 days of fieldwork completion	90%	91%
% response by client to draft reports within 15 days	90%	88%
% of issue of final reports within 10 days of agreement	95%	96%
Quality of Service		
% of customer satisfaction feedback in very good or good	90%	96%

11. FINANCIAL & OTHER IMPLICATIONS:

11.1 Financial Implications:

It is expected that the Internal Audit Plan for 2012/13 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, minimising financial risks and achieving value for money.

Finance Officer consulted: Anne Silley
Head of Business Engagement

12th September 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 & Standards Committee's role to review the level of work completed and planned by internal audit.

Legal Officer consulted: Oliver Dixon
Lawyer

12th September 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 2012/13
2. Code of Practice for Internal Audit in Local Government, CIPFA (2006)
3. Accounts & Audit Regulations 2011 [Extract]

Subject: Fighting Fraud Locally – Best Practice Checklist

Date of Meeting: 25th September 2012

Report of: Director of Finance

Contact Officer: Name: **Ian Withers** Tel: **29-1323**
Tony Barnard **29-1330**

E-mail: ian.withers@brighton-hove.gov.uk
Tony.barnard@brighton-hove.gov.uk

Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The purpose of this report is to inform Members of a review carried out to measure the Council against a best practice checklist for an effective counter fraud culture.
- 1.2 The best practice checklist for local authorities was provided with the recently published report, "Fighting Fraud Locally - The Local Government Fraud Strategy".
- 1.3 The Audit & Standards Committee has a responsibility for reviewing the assurance framework for the Council which includes counter fraud work.

2. RECOMMENDATION:

It is recommended that the Audit & Standards Committee note the contents of the review against the best practice checklist at Appendix 1 and the actions planned.

3. FIGHTING FRAUD LOCALLY – THE LOCAL GOVERNMENT FRAUD STRATEGY

- 3.1 In April 2012 following ministerial approval, The National Fraud Authority published a report, "Fighting Fraud Locally – The Local Government Fraud Strategy" which estimates the cost of fraud to local government to be approximately £2.2 billion a year.

3.2 The strategy was developed by local government counter fraud practitioners including the council's Head of Audit & Business Risk. It has three key elements:

- **Acknowledge** - Acknowledging and understanding fraud risks
- **Prevent** - Preventing and detecting more fraud
- **Pursue** – Being stronger in punishing fraud and recovering losses

3.3 It concludes that by following best practice recommendations local government will be better able to protect itself from fraud and have in place a more effective fraud response. Further, that the financial savings could be better used for local services.

4. BACKGROUND INFORMATION

4.1 A core deliverable in the Internal Audit Plan for 2012-13 is to provide an effective Corporate Counter Fraud Service, in accordance with the Council's Counter Fraud Strategy including both reactive and proactive coverage to mitigate the impact of fraud and consequential financial loss to the Council.

4.2 Audit & Business Risk are responsible within the Council for Corporate Counter Fraud and will continue to review and develop the robustness of the Council's arrangements. Audit & Business Risk work closely both internally and externally with bodies such as the Police, Audit Commission and National Fraud Authority.

4.3 The Audit & Business Risk Unit are also responsible for the National Anti Fraud Network (NAFN) UK South Team. This, together with the UK North Team based at Tameside Metropolitan Council, provides a fraud data and intelligence service to 353 UK public sector organisations, principally local authorities (337) but also Housing Associations, NHS Organisations and Universities. NAFN is considered to be integral to the delivery of Fighting Fraud Locally.

5. FINDINGS OF THE REVIEW

Assessment against the Fighting Fraud Locally Checklist of recommended best practice

5.1 The full comparison to the Fighting Fraud Locally Checklist of best practice recommendations is contained in Appendix 1 to this report. This has been summarised as:

- Full Compliance 24
- Partial Compliance 8
- Non Compliance 2

5.2 Where non or partial compliance exists there is not considered to be any significant fraud risk to the Council. The area of non compliance relates to the Council not having a separate Fraud Response Plan. However, the principles are currently included to a large extent in the Council's Counter Fraud Strategy.

5.3 Audit & Business Risk will be carrying out the necessary actions during 2012/13 to achieve full compliance with the checklist.

6. FINANCIAL & OTHER IMPLICATIONS:

6.1 Financial Implications:

An effective counter fraud culture assists in minimising potential or actual financial losses attributable to fraud and corruption. The actions planned can be implemented within existing resources.

Anne Silley
Head of Business Engagement
Financial Services

14 September 2012

6.2 Legal Implications:

There are no direct legal implications arising from this report but individual actions to comply with the best practice checklist may require legal support and advice.

Oliver Dixon
Acting Senior Lawyer

12 September 2012

6.3 Equalities Implications:

There are no equalities implications arising directly from this report.

6.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

6.5 Crime & Disorder Implications:

Fraud is a crime and can lead to financial loss and reputational loss to the Council

6.6 Risk and Opportunity Management Implications:

The Risk and Opportunity approach by the Council considers the risk of fraud and corruption.

6.6 Corporate / Citywide Implications:

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

SUPPORTING DOCUMENTATION

Appendices:

1. Fighting Fraud Locally – Assessment against Best Practice Checklist

Background Documents

1. Internal Audit Strategy and Annual Audit Plan 2012/12.
2. Protecting the Public Purse 2011
3. Fighting Fraud Locally – The Local Government Fraud Strategy (April 2012)

Fighting Fraud Locally – Assessment against Best Practice Checklist

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
1	The Council has made a proper assessment of its fraud and corruption risks and has an action plan to deal with them and regularly reports this to the senior board and its members.	√			There is an on-going assessment of the Council's fraud and corruption risks. The Internal Audit Strategy and Annual Audit Plan 2012-13 contains a Counter Fraud Programme Section which outlines the planned programme of counter fraud work for 2012/13. A report detailing the key outcomes of the counter fraud work for 2012/13 will be presented to the Audit & Standards Committee in early 2013/14.	-.
2	The Council has undertaken an assessment against the risks in Protecting the Public Purse and has also undertaken horizon scanning of future potential fraud risks.	√			There is an on-going review for future potential fraud risks and there is a procedure whereby the Annual Audit Plan can be amended to reflect these, if required. An assessment was undertaken against the risks in the latest Protecting the Public Purse Report for 2011.	A further assessment against the risks contained in Protecting the Public Purse 2012 when the document is published in December 2012

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
3	There is an annual report to the Audit Committee or equivalent detailing an assessment against the Local Government Strategy Fighting Fraud Locally and the checklist.	√			Fighting Fraud Locally has only recently been published so this is the first opportunity for a report to be submitted detailing an assessment against the Local Government Fraud Strategy and the checklist. This will in future be incorporated in an Annual Fraud Report to be submitted to the Strategic Leadership Team, Corporate Management Team and Audit & Standards Committee.	To be included in an Annual Fraud Report
4	There is a counter fraud and corruption strategy applying to all aspects of the Council's business which has been communicated throughout the Council and this has been acknowledged by those charged with governance.	√			Counter Fraud Strategy maintained. Last updated and presented to Audit & Standards Committee in April 2012 and approved by Full Council in June 2012. There are however further opportunities for communication across the Council.	Counter fraud strategy to be communicated throughout the Council.

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
5	The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	√			The Council's Financial Regulations and Standard Financial Procedures that are available on The Wave for all staff to view have been designed to promote and ensure probity and propriety in the conduct of its business. The Council also has a number of other policies such as the Code of Conduct for Employees that are designed to promote proper conduct.	-.
6	The risk of fraud and corruption is specifically considered in the Council's overall risk management process.	√			Fraud is a risk management category and is therefore considered as one of the "prompts" when conducting risk identification.	-.
7	Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across Departments and this is reported upon to Committee.			√	Although no formal process exists, there is ad hoc consultation with lead officers for counter fraud. There is however considered to be scope for improvement to formalise the process so fraud risk assessments are carried out on appropriate policies, strategies and initiatives.	A process is to be implemented whereby counter fraud staff are consulted where appropriate to fraud-proof new policies, strategies and initiatives.

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
8	The Council has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring this is effective and this is reported to committee.	√			<p>The Internal Audit Strategy and Annual Audit Plan 2012-13 includes a Counter Fraud Programme detailing planned reactive and proactive counter fraud work. Outcomes are currently reported to committee as part of the Head of Audit & Business Risk's Annual Internal Audit Report and periodic progress reports.</p> <p>Other arrangements include whistleblowing procedures and confidential reporting of allegations.</p>	A dedicated Annual Fraud Report is to be produced for 2012/13 and ongoing.
9	<p>The Council has put in place arrangements for monitoring compliance with standards of conduct across the Council covering:</p> <ul style="list-style-type: none"> • codes of conduct including behaviour for counter fraud, anti-bribery and corruption • register of interests • register of gifts and hospitality 	√			Whilst the Council has in place arrangements, there is an issue over effective communication to and awareness of staff to ensure full compliance.	To communicate and raise awareness of the standards of conduct and the need to comply.

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
10	The Council undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking checks to prevent potentially dishonest employees from being appointed.			√	Staff vetting prior to appointment is currently limited to principally Criminal Records Bureau (CRB) checks and basic reference checks. This is in common with most local authorities. We are currently examining more enhanced checks such as rights to work, credit reference agency, employment history and references received.	Liaising with Human Resources to introduce enhanced recruitment vetting where appropriate and to mitigate risks.
11	Members of staff are aware of the need to make appropriate disclosure of gifts, hospitality and business. This is checked by auditors and reported to Committee.	√			See 9 above.	-.
12	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	√			The Counter Fraud Programme is part of the Annual Internal Audit Plan. This is led by qualified and experienced staff.	On-going process of raising the profile of the counter fraud work being carried out across the Council.

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
13	Successful cases of proven fraud/corruption are routinely publicised to raise awareness.			√	Successful cases of housing benefit fraud are often publicised. Currently there are few prosecutions for non-benefit related fraud and when they do take place they are not always publicised.	Successful prosecutions to be routinely publicised in order to raise awareness and to send a clear message out to staff and members of the public that such behaviour is not tolerated.

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
14	There is an independent Whistleblowing Policy which has been measured against the BSI, which is monitored for take up and it can be shown that suspicions have been acted upon without internal pressure.	√			<p>The Council has a Whistleblowing Policy which is regularly reviewed. The last review and update made comparison against BSI to ensure complied with recommended best practice.</p> <p>The Council also subscribes to Public Concern at Work, an independent charity that provides a route for those raising concerns.</p> <p>In common with many local authorities, there are still very few concerns raised under whistleblowing. Previous work has been undertaken by HR and Audit & Business Risk to raise awareness.</p>	Review of whistleblowing arrangements and actions that can be taken to further raise awareness.

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
15	Contractors and third parties sign up to the Whistleblowing Policy and there is evidence of this. There is no evidence of discrimination for those who whistleblow.	√			<p>For all contracts that the Corporate Procurement Team deal with they ensure that third parties sign up to the obligation to read and familiarise themselves with the Whistleblowing policy.</p> <p>Contractual clauses relating to whistleblowing are contained in both the short form and long form terms and conditions with regard to this. These are the standard terms that form part of any invitation to tender documents issues by Corporate Procurement. The terms and conditions are also available on the Wave for contract officers to use and Corporate Procurement would direct contract officers towards them in the first instance (and if appropriate).</p>	-.

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
16	Fraud resources are assessed and are adequately resourced.			√	<p>Fraud resources are assessed as part of the annual audit planning process and agreed with the Director of Finance (S151 Officer).</p> <p>It is acknowledged that greater fraud resources are needed but there are currently considerable financial constraints on the Council.</p> <p>The Government are currently considering financial incentives for local authorities in tackling fraud and this could result in self funding of Counter Fraud Teams within local authorities. Audit & Business Risk are introducing effective systems to capture the information necessary to maximise any potential financial rewards.</p> <p>The Head of Audit & Business Risk is currently restructuring corporate counter fraud to provide greater resources.</p>	Restructuring of corporate fraud.

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
17	There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the Council's business and includes activities undertaken by Contractors and third parties or voluntary sector activities.	√			The Counter Fraud Programme forms part of the Internal Audit Strategy and Annual Audit Plan. This is based on an assessment of fraud risks and includes both reactive and proactive fraud work.	-.
18	Statistics are kept and reported by the Fraud Team which cover all areas of activity and outcomes, benchmarking where appropriate.			√	<p>Statistics are maintained and reported as part of the Head of Audit & Business Risk's Annual Internal Audit Report and periodic progress reports.</p> <p>Although some comparison is made there is currently no formal benchmarking. A service is being offered by CIPFA.</p>	To periodically benchmark fraud statistics using the CIPFA Service.

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
19	Fraud Officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	√			The lead for corporate fraud and other members of staff in Audit & Business Risk are authorised to enter into, at all reasonable times, any Council premises or land, to have access to all records, documents and correspondence, and to require and receive explanations as are necessary.	-.
20	There is a programme to publicise fraud cases internally and externally which is positive and endorsed by the Council's Communication Team.			√	Although Housing Benefit Fraud Cases are publicised there is currently no programme in place to publicise fraud cases internally and externally which is positive and endorsed by the Council's Communication Team.	A programme to publicise fraud cases internally and externally to be introduced in consultation with the Council's Communications Team.
21	All allegations of fraud and corruption are risk assessed.	√			All allegations of fraud and corruption are risk assessed and referrals are passed to other areas of the Council where appropriate. There is considered to be an opportunity to further refine the risk assessment and other models are currently being reviewed.	Review of fraud risk assessment model and amend as appropriate.

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
22	The written fraud response plan covers all areas of counter fraud work: prevention, detection, deterrence, investigation, sanctions and redress.		√		There is currently no Fraud Response Plan for the Council. This is however to a large extent integrated into the Counter Fraud Strategy in common with a large number of local authorities.	To produce a separate Fraud Response Plan for the Council. To be approved by the Audit & Standards Committee.
23	The fraud response plan is linked to the Audit Plan and is communicated to senior management and members.		√		See 22 above.	-.
24	Asset recovery and civil recovery is considered in all cases and is linked to a written sanctions policy.			√	There is currently no written sanctions policy but asset recovery and civil recovery is considered in all cases.	A sanctions policy is to be written and introduced.
25	There is a zero tolerance approach to fraud and corruption that is reported to committee.	√			The Council has adopted a zero tolerance approach to fraud. This is communicated in a number of documents including the Counter Fraud Strategy.	-.
26	There is a programme of proactive counter fraud work which covers risks identified in assessment.	√			See 17 above.	-.

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
27	The Fraud Team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	√			There is fraud liaison and intelligence exchange with a number of outside bodies which includes Sussex Police, UK Borders Agency and other local authorities.	-.
28	The Council shares data across its own departments and between other enforcement agencies.	√			Data is shared within the constraints of current legislation (e.g. Data Protection Act). The Government is considering relaxing constraints for greater sharing of data to combat fraud.	
29	Prevention measures and projects are undertaken using data analytics where possible.			√	Data analytics are used but still limited and there is an opportunity for greater use. Audit & Business Risk are reviewing this at present both using internal and external resources.	Greater use of data analytics in proactive investigations of fraud.

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
30	The Council takes part in the National Fraud Initiative and promptly takes action.	√			The Council continues to participate in the National Fraud Initiative and takes effective action.	
31	There are professionally trained staff for counter fraud work trained by professionally accredited trainers using the Counter Fraud Accreditation Board. If other staff undertakes counter fraud work they must be trained in this area.	√			<p>The Lead Officer for corporate counter fraud is professionally qualified in counter fraud.</p> <p>Staff within the Housing Benefits Fraud Team are PINS trained.</p> <p>Other internal audit staff receive externally provided counter fraud training to achieve a competency level.</p>	-.
32	The Counter Fraud Team has adequate knowledge in all areas of the Council or is trained in the areas.	√			<p>There is currently no separate Counter Fraud Team but this is part of Audit & Business Risk.</p> <p>All Audit & Business Risk staff are considered to have adequate knowledge of the Council.</p>	-.

Ref	FFL Recommended Best Practice	Yes	No	Partial/In progress	Comments	Actions for improvement
33	<p>The Counter Fraud Team has access (via partnership/other Local Authorities/or funds to buy in) where appropriate to specialist staff for:</p> <ul style="list-style-type: none"> • Surveillance • Computer Forensics • Asset recovery • Financial Investigations 	√			<p>Audit & Business Risk have sufficient access to specialist resources and funding as may be required.</p> <p>No formal arrangements exist with other local authorities.</p>	Review the feasibility of partnership arrangements with other local authorities for specialist services.
34	Weaknesses revealed by instances of proven fraud and corruption are looked at and fed back to Departments to fraud proof systems.	√			Control weaknesses are fed back to managers where appropriate. Outcomes are also used to inform internal audit planning where for example controls are considered to be weak.	-.

Document is Restricted

Document is Restricted

Document is Restricted

Document is Restricted

