





Brighton & Hove
City Council

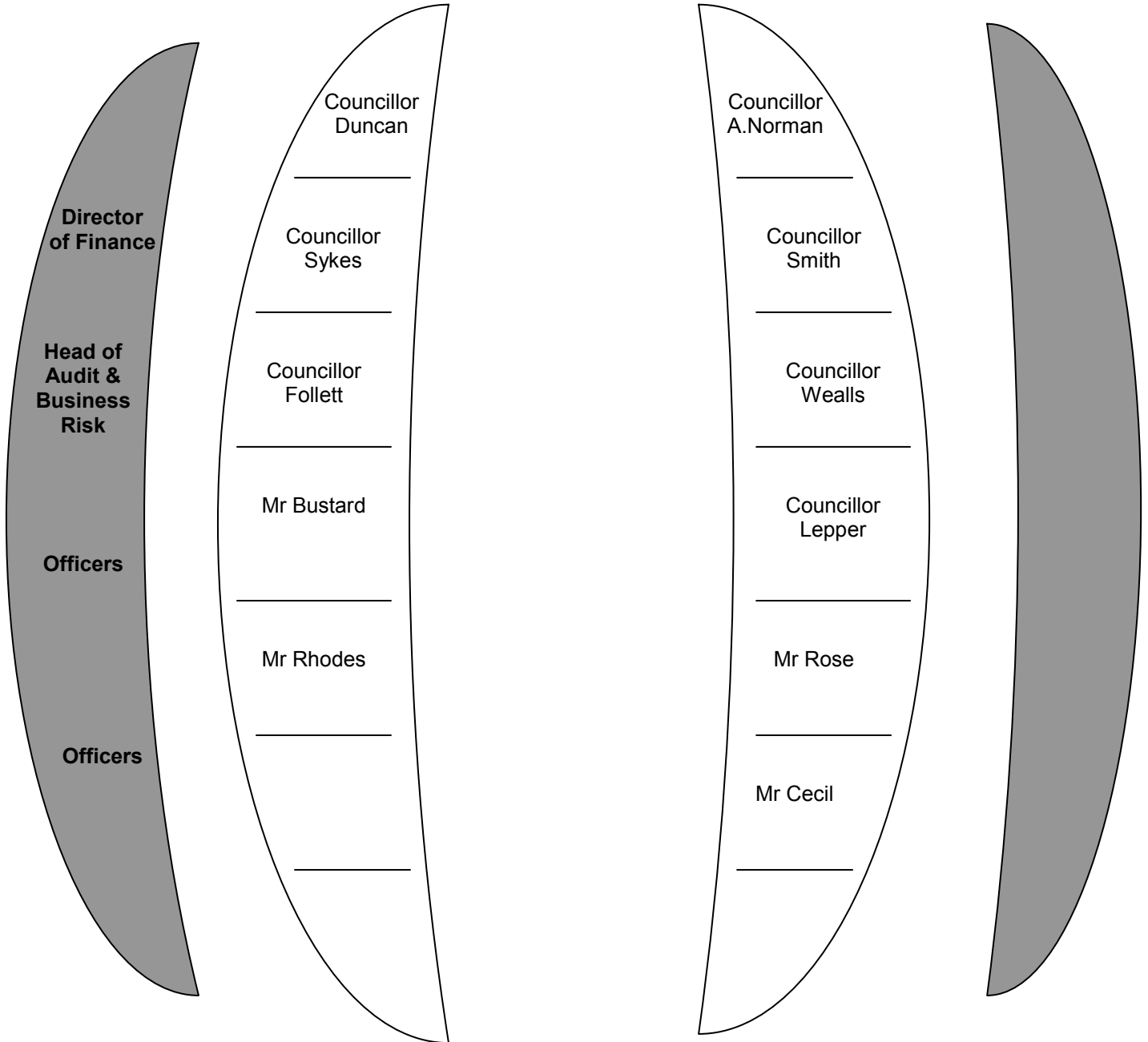
Audit & Standards Committee

Title:	Audit & Standards Committee
Date:	26 June 2012
Time:	4.00pm
Venue	Council Chamber, Hove Town Hall
Members:	Councillors: Hamilton (Co-Chair), Wilkinson (Co-Chair), A Norman (Opposition Spokesperson), Duncan, Follett, Lepper, Smith, Sykes & Wealls Independent Members: Dr M Wilkinson (Co-Chair), Mr P Cecil and Mr Peter Rose Rottingdean Parish Council Representatives: Mr J Bustard and Mr G Rhodes Co-opted Members:
Contact:	Ross Keatley Democratic Services Officer 01273 291064 ross.keatley@brighton-hove.gov.uk

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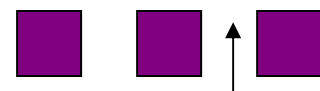
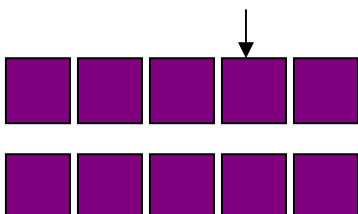
Democratic Services: Audit & Standards Committee

Head of Law	Councillor Hamilton Co-Chair	Dr M. Wilkinson Co-Chair	Democratic Services Officer
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Presenting Officer	Presenting Office
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Public Seating



Press

AGENDA

1. PROCEDURAL BUSINESS

(a) **Declaration of Substitutes** - Where Councillors are unable to attend a meeting, a substitute Member from the same Political Group may attend, speak and vote in their place for that meeting.

(b) **Declarations of Interest** – Statements by all Members present of any personal interests in matters on the agenda, outlining the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.

(c) **Exclusion of Press and Public** - To consider whether, in view of the nature of the business to be transacted, or the nature of the proceedings, the press and public should be excluded from the meeting when any of the following items are under consideration.

***NOTE:** Any item appearing in Part 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.

2. MINUTES OF DECOMMISSIONED COMMITTEES 1 - 10

(a) Minutes of the Standards Committee held on 17 April 2012 (attached for information)

(b) Minutes of the Audit Committee held on 24 April 2012 (attached for information)

3. CHAIR'S COMMUNICATIONS

4. TERMS OF REFERENCE 11 - 14

Attached for information.

5. COMMITTEE START TIMES

6. PUBLIC INVOLVEMENT

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

(a) **Petitions:** to receive any petitions presented to the full council

AUDIT & STANDARDS COMMITTEE

or at the meeting itself;

- (b) **Written Questions:** to receive any questions submitted by the due date of 12 noon on 20 June 2012,
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on 20 June 2012.

7. ISSUES RAISED BY COUNCILLORS

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.

8. WORK PLAN FOR AUDIT & STANDARDS COMMITTEE 15 - 22

Report of the Director of Finance (copy attached)

Contact Officer: Ian Withers *Tel: 29-1323*
Ward Affected: All Wards

STANDARDS ITEMS

9. COMPLAINTS UPDATE (JUNE 2012) 23 - 28

Report of the Monitoring Officer (copy attached)

Contact Officer: Brian Foley *Tel: 291229*

10. STANDARDS UPDATE

Report of the Monitoring Officer (report to follow)

Contact Officer: Elizabeth Culbert *Tel: 29-1515*

AUDIT ITEMS

11. TARGETED BUDGET MANAGEMENT (TBM) PROVISIONAL OUTTURN 2011/12 29 - 84

Extract from Policy & Resources Committee 14 June 2012 (to follow)

Report of the Director of Finance (copy attached)

Contact Officer: Nigel Manvell *Tel: 29-3104*
Ward Affected: All Wards

AUDIT & STANDARDS COMMITTEE

- 12. UNAUDITED STATEMENT OF ACCOUNTS 2011/12** **85 - 92**
Report of the Director of Finance (report attached, statements to follow)
- 13. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2012/13** **93 - 102**
Report of the Director of Finance (copy attached)
Contact Officer: Ian Withers Tel: 29-1323
Ward Affected: All Wards
- 14. AUDIT COMMISSION: PROGRESS REPORT 2012/13**
Report of the Audit Commission (to follow)
- 15. AUDIT COMMITTEE ANNUAL REPORT 2011/12** **103 - 116**
Report of the Director of Finance (copy attached)
Contact Officer: Ian Withers Tel: 29-1323
Ward Affected: All Wards
- 16. RISK MANAGEMENT PROGRAMMES - 2011/12 (OUTCOME) AND 2012/13 (PLANNED)** **117 - 126**
Report of the Director of Finance (copy attached)
Contact Officer: Jackie Algar Tel: 29-1273
Ward Affected: All Wards
- 17. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2011/12**
Report of the Director of Finance (to follow)
Contact Officer: Ian Withers Tel: 29-1323
Ward Affected: All Wards
- 18. STRATEGIC RISK REGISTER** **127 - 142**
Report of the Director of Finance (copy attached)
Contact Officer: Jackie Algar Tel: 29-1273
Ward Affected: All Wards
- PART TWO**
- 19. PART TWO MINUTES OF DECOMMISSIONED COMMITTEES** **143 - 146**
Part two minutes of the Audit Committee held on 24 April 2012 (attached for information)

AUDIT & STANDARDS COMMITTEE

20. I360

To Follow

Report of the Director of Finance (to follow)

Contact Officer: Mark Dallen

Tel: 29- 1314

Ward Affected: All Wards

21. STRATEGIC RISK MANAGEMENT ACTION PLANS FOCUS

147 - 162

Report of the Director of Finance (copy attached)

Contact Officer: Jackie Algar

Tel: 29-1273

Ward Affected: All Wards

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.

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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.

AUDIT & STANDARDS COMMITTEE

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BRIGHTON & HOVE CITY COUNCIL

STANDARDS COMMITTEE

5.00pm 17 APRIL 2012

COMMITTEE ROOM 1, HOVE TOWN HALL

MINUTES

Present: Councillors: Lepper and Littman

Independent Members: Dr M Wilkinson (Chair), Mr Paul Cecil

Rottingdean Parish Council Representatives: Mr Geoff Rhodes

Apologies: Mr John Bustard, Councillor Jones Councillor Kitcat, Councillor Norman, Mr Rose and Councillor Wells

PART ONE

25. PROCEDURAL BUSINESS

25a Declaration of Substitutes

25.1 There were none.

25b Declarations of Interest

25.2 There were none.

25c Exclusion of the Press and Public

25.3 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).

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

26. MINUTES OF THE PREVIOUS MEETING

- 26.1 **RESOLVED** – That the minutes of the Standards Committee Meeting held on 17 January 2012 be agreed and signed as a correct record.

27. CHAIR'S COMMUNICATIONS

- 27.1 There were none.

28. PUBLIC QUESTIONS

- 28.1 There were none.

29. REVIEW OF PROTOCOL FOR PUBLIC QUESTIONS

- 29.1 The Committee considered a report of the Monitoring Officer in relation to the review of the protocol for public questions. The Senior Solicitor, Liz Woodley, explained that the report pre-supposed the formal approval of the new governance arrangements at the Special Council meeting on 26 April 2012, and there was an opportunity to review the protocol which was currently the same for Council, committees and Cabinet Member meetings.
- 29.2 The Head of Law and Monitoring Officer, Abraham Ghebre-Ghiorghis, raised the issue of Officers of the Council being permitted to ask public questions, and noted that some local authorities restricted this to maintain a distinction in the relationships between Officers and Councillors. With recent budget savings proposals the number of public questions and petitions from Officers had increased, and other local authorities, who restricted questions, had stated there were existing channels in place for Officers to raise concerns such as through the grievance procedure of the Council.
- 29.3 The Chair stated that there were clear instances where an Officer should be considered a member of the public such as asking questions to the Planning Committee in relation to applications which directly affected their street. Mr Cecil suggested that alternative routes could be used where they already existing, but there would be situations where Officers had legitimate concerns they wanted to raise as public questions. He went on to state that guidance could help Officers navigate these issues, and Councillor Littman also suggested that some of the guidance for politically restricted posts could be useful.
- 29.4 The Senior Solicitor went on to raise issues in relation to individuals asking questions on behalf of organisations – and disclosure of such association – and if the number of questions should be restricted. Members of the Committee noted that, whilst it would be preferential for those asking public questions for declare if it were on behalf of an organisation, there was no way to enforce this even if it were formalised in Council policy. It was also noted that there was no way of being fully certain an organisation had authorised an individual to ask a question on its behalf, and matters in relation to what constituted an 'organisation' were also raised.
- 29.5 The Committee discussed refusal of questions, and it was clarified that it was the normal practise to provide the existing responses to questions which were refused on the basis the same question had been asked in the past 6 months; it was not considered necessary to formalised this arrangement. Advice from the Head of

Democratic Services had suggested that questions which referred to current legal proceeding being taken by or against the Council were largely already excluded as they fell within 'disclosure of confidential or exempt information'; however, it was suggested that the revised policy might want to be clearer on this matter and could include exclude information starting from the point of receipt of a pre-application letter.

- 29.6 Consideration was also given to the notion of commercial and financial interests, and the Committee extended this to give consideration of personal interests, but it was felt that exclusion on these grounds would be in contrary to the principles of asking public questions as these would largely relate to person issues which directly effected residents.
- 29.7 **RESOLVED** – That the Committee note the content of the report and ask the Monitoring Officer to give consideration to comments made in the review of the protocol.

30. STANDARDS UPDATE

- 30.1 The Committee considered a report of the Monitoring Officer in and the Senior Solicitor outlined the report stating that the new regulations were expected to come into force on 1 July 2012, but guidance to this effect had not currently been published. The Council would still need to have a new Code of Conduct in place, and the Localism Bill Working Party, which met in December 2011, had agreed that the current code could be used a basis for the new one. Since the publication of the agenda both the Local Government Association (LGA) and the Department for Communities and Local Government (DCLG) has issued proposed draft codes. Currently it was difficult for Officers to progress work on the code in the absence of firm guidance from central government on interests.
- 30.2 In relation to the procedure for dealing with complaints made against Members it was explained that Officers were currently looking to shorten and streamline the current procedure to allow the Monitoring Officer to initially assess a complaint by writing to an agreed sub-committee, but without the necessity to formally call a meeting. It was also noted that the sanction powers would be reduced, for example a Member could no longer be suspended, and independent Members would lose their voting rights on a Standards Committee.
- 30.3 The Head of Law and Monitoring Officer said that the Secretary of State could exercise powers to make transitional arrangements, and noted some of the lack of cohesion and consistency that had emerged in the new legislation. The Senior Solicitor noted that the current proposals were to amalgamate the audit and standards functions of the Council into a new Audit & Standards Committee. The Committee would meet before the commencement of the new Standards regime the Council had made some transitional measures for this meeting; creating a split agenda to be chaired separately by the new Chair of the Audit & Standards Committee and the current Chair of the Standards Committee.
- 30.4 The Head of Law and Monitoring Officer explained that there was concern the guidelines could be too 'high level' in principle and there would be benefit in reconvening the Working Party to provide input into this process. The Leader's Group

had also met and agreed it was satisfied to be guided by the Standards Committee on the drafting of the new Code of Conduct.

- 30.5 **RESOLVED** – That the Committee note the report, and the Localism Bill Working Party be reconvened to consider the new code of Conduct when the necessary regulations were published.

31. COMPLAINTS UPDATE

- 31.1 The Committee considered a report of the Monitoring Officer regarding the complaints update and, in the absence of the Standards and Complaints Manager; the Senior Solicitor introduced the item and explained that complaints 2, 3 & 4 had all been considered at the same Assessment Panel which had agreed that no further action was necessary; currently a review had been requested for one of these complaints.
- 31.2 Councillor Lepper noted that the complaints had all been from members of the public, and hoped that the practise could be for Members to address their grievances with other Members through their group leaders before making formal complaints to the Standards Committee.
- 31.3 **RESOLVED** – That the Committee note the report.

The meeting concluded at 5.48pm

Signed

Chairman

Dated this

day of

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00pm 24 APRIL 2012

COMMITTEE ROOM 1, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chair) Jarrett, Mitchell, A Norman, Smith, Sykes, Wakefield, Wealls and Robins

PART ONE

74. PROCEDURAL BUSINESS

74a Declaration of Substitutes

75.1 Councillor Robins declared that he was substituting for Councillor Pissaridou.

74b Declarations of Interest

75.2 Councillor Wakefield declared a personal but not prejudicial interest in Item 83, a report of the Audit Commission concerning Brighton & Hove Seaside Community Homes.

74c Exclusion of the Press and Public

75.3 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).

75.4 **RESOLVED** - That the press and public be excluded from the meeting during consideration of Item 88 onwards.

75. MINUTES OF THE PREVIOUS MEETING

75.1 **RESOLVED-** That the minutes of the previous meeting held on 21 February 2012 be approved and signed as the correct record.

76. CHAIR'S COMMUNICATIONS

76.1 The Chair informed the meeting that this would be the last meeting of the Audit Committee in its current format before it became the Audit & Standards Committee due to the new governance arrangements agreed by Members. The Chair thanked Officers for their hard work throughout the year and the other Members of the Committee for their support and advice.

77. PETITIONS

77.1 There were none.

78. PUBLIC QUESTIONS

78.1 There were none

79. DEPUTATIONS

79.1 There were none

80. LETTERS FROM COUNCILLORS

80.1 There were none.

81. WRITTEN QUESTIONS FROM COUNCILLORS

81.1 There were none

82. AUDIT COMMISSION: PROGRESS REPORT 2011/12

82.1 The Committee considered a report of the Audit Commission that provided a summary of the progress made and any significant issues arising against the 2011/12 external audit. The Audit Manager provided a verbal supplement stating that their audit had again identified a number of payroll transaction errors however; these were not found to be of material impact and there was no indication of fraudulent activity. The audit had also established that documentation could not be accessed quickly and easily.

82.2 The Chair noted that Ernst & Young were successful in procuring the contract for the outsourcing of work currently undertaken by the Audit Practice in the South East region. He asked if representatives from Ernst & Young would be meeting with council officers in the near future.

82.3 The Audit Manager replied that although the consultation process was still in progress, it was likely that there would be a meeting on Wednesday 2 May and this issue would be discussed with the new external audit providers and resolved.

- 82.4 Councillor Wealls noted that there would be a 40 per cent reduction in the fee charged by the Audit Commission under the outsourcing measures. He enquired how much of the saving was due to outsourcing.
- 82.5 The Audit Manager replied that he could not give an accurate figure. Although an element of the reduced fee would be due to outsourcing, the majority was due to a reduction in resources which were now 50 per cent less than at the time of the 2010 announcement by central government that the Commission would be outsourced.
- 82.6 Councillor Sykes noted that 75 per cent of the scoring system for the outsourcing of the Audit Commission was based on service cost. He asked if the work undertaken by the firm would be as comprehensive as the current operation.
- 82.7 The Audit Manager answered that the scope of the incoming firms work would be similar but tightly specified and he would predict that additional work would be charged for.
- 82.8 The Director of Finance supplemented that the majority of the work undertaken by the Audit Practice concerned the financial statements. She believed that the Finance Department would need to continue to deliver information on time and to a high standard to avoid additional work. The Director of Finance stated that her main concern was the discontinuation of the data provided by the Commission on other authorities Value for Money (VFM) work which was very useful for benchmarking performance. She added that there was a possibility that the savings made by the Council arising from abolishing the Audit Commission would need to be spent on methods to continue this.
- 82.9 Councillor Ann Norman stated her belief that the work undertaken by the current Audit Manager and District Auditor was of the highest standard. She asked if the same personnel would continue to service the Council for the incoming firm.
- 82.10 The Audit Manager replied that the current personnel would certainly remain in place for 2011/12. Although he was aware that Ernst & Young were reluctant to make changes in the short-term, he did not know of their intentions for after this period.
- 82.11 The Chair agreed that the work undertaken by the Audit Commission had been very beneficial to the Audit Committee. He asked if Officers could communicate the sentiments of the Committee to Ernst & Young at their proposed meeting.
- 82.12 Councillor Ann Norman asked what work had been done towards new methods of benchmarking with other authorities on VFM methods.
- 82.13 The Director of Finance answered that dialogue was underway between the authorities in the South East region on this matter however, as Brighton & Hove was a unitary authority, it would be problematic gathering comparative data locally. Accordingly, the Council would liaise with other authorities nationally and nearby unitary councils such as Southampton.
- 82.14 **RESOLVED-** That the Audit Committee notes the report and progress made.

83. AUDIT COMMISSION: OPINION AUDIT PLAN 2011/12

- 83.1 The Committee considered a report of the Audit Commission the provided the 2011/12 audit plan for the audit of the financial statements and VFM conclusion.
- 83.2 **RESOLVED-** That the Committee notes the 2011/12 audit plan for the audit of the financial statements and value for money (VFM) conclusion.
- 84. ASSURANCES FROM THE AUDIT COMMITTEE AS THE BODY CHARGED WITH GOVERNANCE 2011/12**
- 84.1 The Committee considered a report of the Director of Finance that presented the response to the Audit Commission's letter to those charged with governance issued at the 20 December 2011 Audit Committee meeting.
- 84.2 **RESOLVED-** That the Audit Committee notes the response to the Audit Commission's letter to those charged with governance which was sent on the 29th March 2012.
- 85. INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2012/13**
- 85.1 The Committee considered a report of the Director of Finance that presented the Council's Internal Audit Strategy and Annual Audit Plan for 2012/13. This included both the operational internal audit and counter fraud work programmes together with updated Internal Audit Terms of Reference.
- 85.2 Councillor Sykes asked if there would be any change in emphasis in the 2012/13 Audit Plan compared to previous years.
- 85.3 The Director of Finance replied that there would be more focus on basic controls in cash and collections, the audit team would be visiting more remote establishments and more work would be done in line with the significant changes in Public Health and localised support for Council Tax.
- 85.4 **RESOLVED-** That the Audit Committee approves the Internal Audit Strategy and Annual Audit Plan for 2012/13.
- 86. BRIGHTON & HOVE CITY COUNCIL COUNTER FRAUD STRATEGY**
- 86.1 The Committee considered a report of the Director of Finance that presented the Council's updated draft Counter Fraud Strategy.
- 86.2 The Director of Finance added that there had been significant delay in the publication by central government of the Local Government Fraud Strategy "Fighting Fraud Locally" that had hampered the progress of the authority. Accordingly, the report presented provided an overview and the detail of the authorities Counter Fraud Strategy, based upon the Local Fraud Strategy, would be presented to a future Audit & Standards Committee meeting.

86.3 **RESOLVED-** That the Audit Committee notes the Council's updated draft Counter Fraud Strategy and recommends its approval by the relevant committee under the new system of council governance.

87. 2011/12 STATEMENTS OF ACCOUNTS PREPARATION

87.1 The Committee considered a report of the Director of Finance that provided information on the changes for the 2011/12 Statement of Accounts.

87.2 **RESOLVED-** That the Audit Committee notes the changes for the 2011/12 Statement of Accounts.

88. PART TWO MINUTES OF THE PREVIOUS MEETING (EXEMPT- CATEGORY 3)

88.1 **RESOLVED-** That the Part Two minutes of the previous meeting held on 21 February 2012 be approved and signed as the correct record.

89. PAYROLL- UPDATE FROM STRATEGIC DIRECTOR, RESOURCES (EXEMPT CATEGORY 3)

As detailed in the Part 2 confidential report.

90. STRATEGIC RISK MANAGEMENT ACTION PLAN FOCUS - SR3 PACE AND VOLUME OF PUBLIC SECTOR CHANGE (EXEMPT CATEGORY 3)

As detailed in the Part 2 confidential report.

91. STRATEGIC RISK MANAGEMENT ACTION PLAN - SR9 CHANGES TO LOCAL GOVERNMENT FINANCE (EXEMPT CATEGORY 3)

As detailed in the Part 2 confidential report.

92. PART TWO ITEMS

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

The meeting concluded at 6.25pm

Signed

Chair

Dated this

day of

AUDIT & STANDARDS COMMITTEE

Explanatory Note

The Audit functions of this Committee relate to the Council's arrangements for the discharge of its powers and duties in connection with financial governance and stewardship, risk management and audit. The Committee makes recommendations to the Council, Policy & Resources Committee, Officers or other relevant body within the Council.

The Standards functions of this Committee seek to ensure that the Members, Co-opted Members and Officers of the Council observe high ethical standards in performing their duties. These functions include advising the Council on its Codes of Conduct and administering related complaints and dispensation procedures.

In addition to the Councillors who serve on the Audit and Standards Committee, the Committee includes at least two independent persons who are not Councillors. They are appointed under Chapter 7 of the Localism Act, or otherwise co-opted, and act in an advisory capacity with no voting powers. In the terms of reference of this Committee a "Member" is an elected Councillor and a "Co-opted Member" is a person co-opted by the Council, for example to advise or assist a Committee or Sub-Committee of the Council.

General Audit and Standards Delegated Functions

To review such parts of the constitution as may be referred to the Committee by the Policy and Resources Committee and to make recommendations to the Policy Resources Committee and the Council.

To appoint, co-opt or (in any case where only the Council has power) to recommend the appointment or co-option of a minimum of two independent persons:

- to give general assistance to the Committee in the exercise of its functions; and
- to give views on allegations of failure to comply with a Code of Conduct as required by Chapter 7 of the Localism Act.

To have an overview of:

- the Council's whistleblowing policy
- complaints handling and Local Ombudsman investigations

To deal with any audit or ethical standards issues which may arise in relation to partnership working, joint committees and other local authorities or bodies.

To ensure arrangements are made for the training and development of Members, Co-opted Members and Officers on audit, ethical and probity matters, including Code of Conduct issues.

To support and advise the Chief Finance Officer and the Monitoring Officer in their statutory roles.

Delegated Audit Functions

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

- the work of internal and external audit;
- the governance arrangements of the council and its services;
- the risk management and performance management frameworks and the associated control environment;
- the financial management process;
- arrangements for the prevention and detection of fraud and corruption

To meet the requirements of the Accounts and Audit Regulations Act 2011 in respect of:

- conducting an annual review of the effectiveness of the system of internal control;
- conducting an annual review of the effectiveness of internal audit;
- reviewing the outcome of annual review of governance arrangements and approving the Annual Governance Statement, ensuring it contains any actions for improvement; and
- considering and approving the Council's annual Statement of Accounts.

To consider the External Auditor's Annual Audit and Inspection Plan, Annual Governance Report, Annual Audit Letter and other relevant reports. Consider and agree the Internal Strategy and Annual Audit Plan, Head of Audit & Business Risk's Annual Internal Audit Report including Opinion, periodic progress reports and other relevant internal audit reports.

To consider and agree the Head of Audit & Business Risk's Annual Fraud & Corruption Report and consider and approve the Council's Counter Fraud Strategy.

Delegated Standards Functions

To advise the Council on the adoption, revision or replacement of Codes of Conduct for (a) Members and Co-opted Members and (b) Officers;

To exercise all other functions of the Council in relation to ethical standards, in particular those under Chapter 7 of the Localism Act, including the following:

- promoting and maintaining high standards of conduct within the Council and monitoring the operations of the Council's Codes of Conduct and registers of interests;
- in relation to allegations that a Member or Co-opted Member has failed to comply with the Code of Conduct, putting in place arrangements to investigate and make decisions;
- supporting the Monitoring Officer in the exercise of that Officer's ethical standards functions, in particular the duty to establish & maintain registers of interests for the Council and for Rottingdean Parish Council;
- in relation to Members or Co-opted Members with pecuniary interests, putting in place arrangements to grant dispensations, in appropriate cases, from the restrictions on speaking and/or voting.

NOTE: With the exception of the adoption, revision or replacement of the Codes of Conduct referred to above, the Audit and Standards Committee may develop and adopt its own procedures and protocols.

AUDIT & STANDARDS COMMITTEE

Agenda Item 8

Brighton & Hove City Council

Subject: Audit & Standards Committee Work Programme
2012/13

Date of Meeting: 26th June 2012

Report of: Director of Finance

Contact Officer:: Name: Ian Withers, Head of Audit & Business Risk
Tel 29-1323

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

Wards Affected: All

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report presents the work programme for consideration by the Committee.

2. RECOMMENDATIONS:

It is recommended that the Audit & Standards Committee:

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

3. BACKGROUND

- 3.1 In order to assist Members to identify and plan key areas of work for the Committee, a work programme has been prepared and is attached at Appendix 1.
- 3.1 The work programme sets out those reports currently known and considered appropriate to come to future Committee meetings. The work programme is intended to be a useful tool to ensure that issues for the Committee are identified in advance and are programmed in for the Committee to consider at the correct time during the year. The work programme will be reviewed and updated regularly to reflect the Committees priorities and ensure it is able to fulfil its role contained in its terms of reference. It will also assist in agenda planning for meetings

3.2 The work programme shows agenda items under three categories:

Category A = Statutory or other implied requirement

Category B = Topics decided by the Committee

Category C = Other

4. CONSULTATION

4.1 The work programme has been circulated to appropriate officers and the Audit Commission for comments.

4.2 Members of the Committee are requested to give their comments on the work programme which will be updated accordingly.

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

The Audit & Standards Committee is an essential element of good financial governance, the costs its work programme including officer support and training is met from existing budgetary provision.

Anne Silley
Head of Business Engagement
Financial Services

14th June 2012

5.2 Legal Implications:

All of the proposed agenda items in the Work Programme set out at Appendix 1 are consistent with the Committee's terms of reference.

Oliver Dixon
Acting Senior Lawyer

14th June 2012

5.3 Equalities Implications:

There are no equalities implications arising.

5.4 Sustainability Implications:

There are no sustainability implications arising.

5.5 Crime & Disorder Implications:

There are no crime and disorder implications arising.

5.6 Risk and Opportunity Management Implications:

There are no direct risk and opportunity management implications arising.

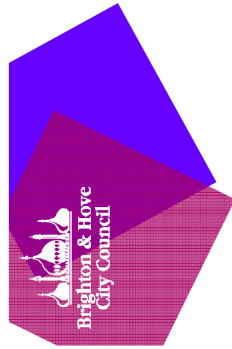
5.7 Corporate / Citywide Implications:

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

SUPPORTING DOCUMENTATION

Appendices:

1. Audit & Standards Committee Work Programme 2012/13

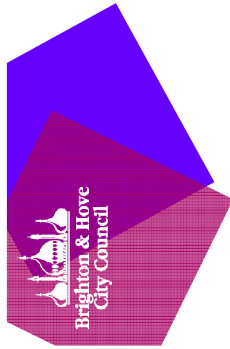


Audit & Standards Committee Forward Work Programme June 2012 – March 2013

Appendix 1

Category A = Statutory or other implied requirement
 Category B = Topics decided by the Committee
 Category C = Other
 Category D = Training & Awareness

Meeting Date	Agenda Item	Category	Decision Item Yes/No	Lead Officer/s
26th June 2012	Localism Act 2011 changes to ethical governance – update and transitional arrangements (inc rec to advertise for IP)	A	Yes	Elizabeth Culbert
	Complaints update	C	No	Brian Foley
	Draft Work Plan for Audit and Standards Committee 2012/13	C	Yes	Ian Withers
	Targeted Budget Management Provisional Outturn 2011/12	B	No	Nigel Manvell
	Unaudited Statement of Accounts 2011/12	A	Yes	Nigel Manvell & Jane Strudwick
	Review of the Effectiveness of the System of Internal Audit for 2011/12	A	No	Ian Withers
	Draft Annual Governance Statement 2011/12	A	Yes	Ian Withers
	Audit Commission: Progress Report 2012/13	A	No	Helen Thompson & Simon Mathers
	Audit Committee Annual Report 2011/12	A	Yes	Ian Withers
	Risk Management Programmes - 2011/12 (Outcome) and 2012/13 (Planned)	A	No	Jackie Algar
Part 2	Internal Audit Annual Report and Opinion 2011/12	A	No	Ian Withers
	Strategic Risk Register Update	A	No	Jackie Algar
	I360	B	No	Ian Withers
	Planned programme for focus on Strategic Risk Management Action Plans	A	No	Jackie Algar
25th September 2012	Proposed Code of Conduct for Members (for recommendation to full council for approval)	A	Yes	Elizabeth Culbert
	Proposed investigation and assessment procedure (for recommendation to full council for approval)	A	Yes	Oliver Dixon
	Arrangements for the register of Members interests	A	Yes	Mark Wall



Audit & Standards Committee Forward Work Programme June 2012 – March 2013

Appendix 1

Category A = Statutory or other implied requirement
 Category B = Topics decided by the Committee
 Category C = Other
 Category D = Training & Awareness

Meeting Date	Agenda Item	Category	Decision Item Yes/No	Lead Officer/s
	Training programme for Members on Standards issues	D	Yes	Aaron Robin
	Complaints update	C	No	Brian Foley
	“Fighting Fraud Locally” The Local Government Fraud Strategy	D	No	Ian Withers
	Audit Commission: Progress Report 2012/13	A	No	Helen Thompson & Simon Mathers
	Audit Commission: Annual Governance Report 2011/12	A	Yes	Helen Thompson & Simon Mathers
	Statement of Accounts 2011/12	A	Yes	Nigel Manvell & Jane Strudwick
	Targeted Budget Management (TBM): Month 4	B	No	Nigel Manvell
	Internal Audit Progress Report 2012/13	A	No	Ian Withers
Part 2	Strategic Risk Management Action Plan Focus - SR8 Becoming a more Sustainable City - SR4 Economic Resilience and Sustainable Economic Growth - SR5 Citywide Employability	A	No	Jackie Algar
20th November 2012	Review of Council’s constitution – issues relevant to Audit and Standards Committee			Elizabeth Culbert
	Complaints update			Brian Foley
	Treasury Management Policy Statement 2012/13 (including Annual Investment Strategy 2012/13) – Mid year review	A	No	Peter Sargent
	Targeted Budget Management (TBM) Month 6	B	No	Nigel Manvell
	Ernst & Young: Progress Report 2012/13	A	No	Helen Thompson & Simon Mathers

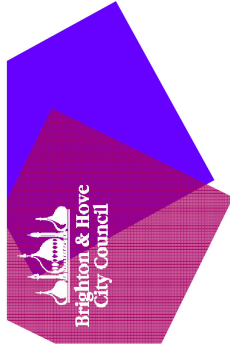


Audit & Standards Committee Forward Work Programme June 2012 – March 2013

Appendix 1

Category A = Statutory or other implied requirement
 Category B = Topics decided by the Committee
 Category C = Other
 Category D = Training & Awareness

Meeting Date	Agenda Item	Category	Decision Item Yes/No	Lead Officer/s
	Ernst & Young: Annual Audit Letter 2011/12	A	No	Helen Thompson & Simon Mathers
	Internal Audit Progress Report 2012/13	A	No	Ian Withers
	Annual Governance Statement 2011/12 - Action Plan Progress Update	A	No	Ian Withers
	Request for Assurance from those Charged with Governance	A	No	Helen Thompson & Simon Mathers
	Strategic Risk Register Update	A	No	Jackie Algar
Part 2	Strategic Risk Management Action Plan Focus - SR2 Financial Outlook - SR11 Welfare Reform	A	No	Jackie Algar
22nd January 2013	Review of Council's Whistleblowing Policy	C	Yes	Ian Withers
	Complaints update	C	No	Brian Foley
	Ernst & Young: Progress Report 2012/13	A	No	Helen Thompson & Simon Mathers
	Ernst & Young: Annual Audit Letter 2011/12	A	No	Helen Thompson & Simon Mathers
	Internal Audit Progress Report 2012/13	A	No	Ian Withers
Part 2	Strategic Risk Management Action Plan Focus - SR 10 Information Governance Management - SR6 Safeguarding Vulnerable members of our community	A	No	Jackie Algar



Audit & Standards Committee Forward Work Programme June 2012 – March 2013

Appendix 1

Category A = Statutory or other implied requirement
 Category B = Topics decided by the Committee
 Category C = Other
 Category D = Training & Awareness

Meeting Date	Agenda Item	Category	Decision Item Yes/No	Lead Officer/s
19 th March 2013 (request made to change timing to April)	Review of protocol on use of Council facilities (Member and Officer)	C	Yes	TBC
	Complaints update	C	No	Brian Foley
	Ernst & Young: Progress Report 2012/13	A	No	Helen Thompson & Simon Mathers
	Ernst & Young: Opinion Audit Plan 2012/13	A	No	Helen Thompson & Simon Mathers
	Assurances from the Audit Committee as the Body Charged with Governance	A	No	Ian Withers
	Targeted Budget Management (TBM) Month 11	B	No	Nigel Manvell
	Internal Audit Progress Report 2012/13	A	No	Ian Withers
	Risk Management Strategy 2013	B	No	Jackie Algar
Part 2	Strategic Risk Management Action Plan Focus - SR1 – Readiness for opportunities and impacts of localism - SR3 Pace and Volume of public sector change	A	No	Jackie Algar

Subject: Complaints Update
Date of Meeting: 26 June 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 Complaints regarding Member conduct are currently administered under the arrangements as defined by The Standards Committee (England) Regulations 2008 which came into effect on 08 May 2008. These regulations are derived from the Local Government Act 2000 as amended by the Local Government and Public Involvement in Health Act 2007.
- 1.2 This paper gives information about active Standards Complaints and cases where the outcome has not previously been reported.
- 1.3 There is a brief update on complaints dealt with via the Local Government Ombudsman. The powers of the Ombudsman are set out in the Local Government Act 1974.

2. RECOMMENDATIONS:

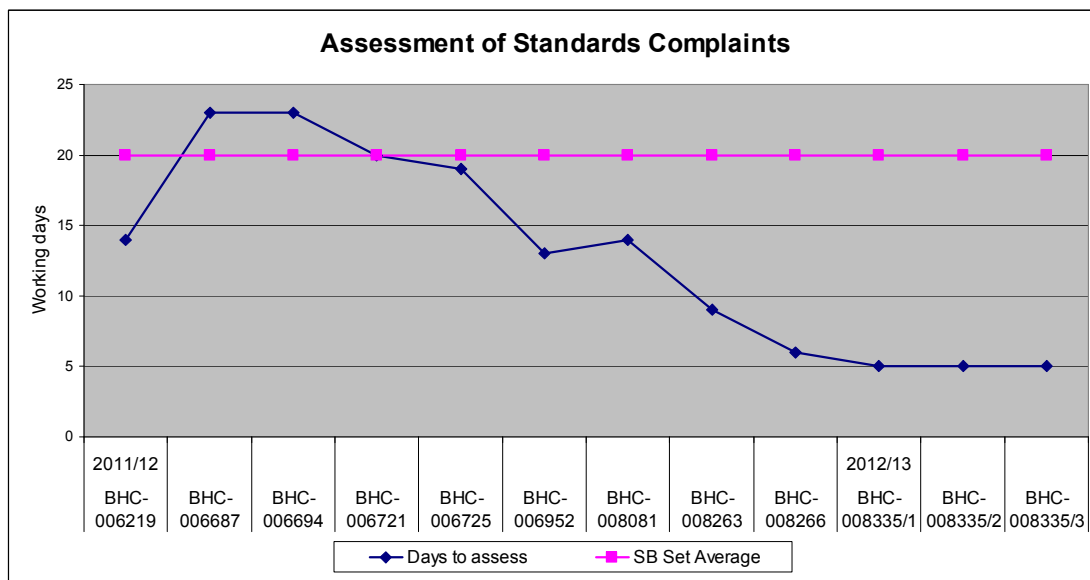
- 2.1 The Audit and Standards Committee is asked to note the report.

3. RELEVANT BACKGROUND INFORMATION

- 3.1 The Local Government Act 2000 requires the names of complainants and of Members about whom allegations have been made to be kept confidential.
- 3.2 We continue to work to the timescales for complaints as recommended by Standards for England:
 - Assessments should on average be completed within 20 working days.
 - Review panels should be held within 65 working days.
 - Investigations should be completed within 130 working days from the date of assessment.

- 3.3 Table 1 shows the number of working days taken to assess each complaint dealt with under the Local Assessment procedure during the council years 2011/12 and 2012/13
- 3.4 There were nine complaints in 2011/12, the average time to assess was 14 working days.
- 3.5 There have been three complaints in 2012/13. They were each raised by the same person, they were identical in nature but were against three different members. The average time to assess the complaints was 5 working days. The panel decide that no further action should be taken.
- 3.6 The Standards Committee has yet to determine a complaint referred for investigation on 31 March 2011.
- 3.7 A new complaint was referred for investigation on 18 May 2012.
- 3.8 All other complaints referred for investigation have been determined and summarised in previous reports to Standards Committee.
- 3.9 Table 1 shows the number of working days Standards Committee took to assess each complaint. Generally complaints are assessed within the time scale that was set down by Standards for England.

Table 1



- 3.10 An update on those cases and details of the active case follow below.
Summary of active complaints about member conduct and cases where decisions have not previously been reported.

3.11 Complaints where Standards Committee Assessment Panel decided to refer the complaint to the Monitoring Officer for Investigation

Complaint 1

Case Number: **BHC- 005373 B**

Complainant: Member of the public

Date of complaint: 07 March 2011

Date of Assessment Panel: 31 March 2011

Total number of working days to assess: 19

Allegation: It was alleged that a Member had each breached the following section of the Code of Conduct:

- 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.

Decision of Assessment Panel:

Referred to the Monitoring Officer for Investigation.

Outcome:

Yet to be determined

Complaint 2

Case Number: **BHC- 008236**

Complainant: Member of the public

Date of complaint: 20 March 2012

Date of Assessment Panel: 30 March 2012

Total number of working days to assess: 9

Allegation: It was alleged that a Member had each breached the following section of the Code of Conduct:

- Paragraph 3(1)
You must treat others with respect.

Decision of Assessment Panel

No Further Action

Date of review request: 02 May 2012

Date of Assessment Review Panel: 18 May 2012

Number of working days to Review Panel: 13

Decision of Assessment Review Panel:

Referred to the Monitoring Officer for Investigation.

Outcome:

Yet to be determined

3.12 Complaints where the decision of the Standards Committee Assessment Panel was to take 'other action'

There are no cases falling into this category.

3.13 Complaints where the decision of the Standards Committee Assessment Panel was to take no further action

Complaint 3,4,5

Case Number: **BHC- 008335/1/2/3**

Complainant: Member of the public

Date of complaint: 14 May 2012

Date of Assessment Panel: 18 May 2012

Total number of working days to assess: 5

Allegation: It was alleged that a Member had each breached the following section of the Code of Conduct:

- Paragraph 5
You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or authority into disrepute.

Decision of Assessment Panel:

No Further Action

3.14 Complaints referred to the Standards Committee Assessment Review Panel where the decision was to take no further action

Complaint 6

Case Number: **BHC- 008081**

Complainant: Member of the public

Date of complaint: 13 March 2012

Date of Assessment Panel: 30 March 2012

Total number of working days to assess: 14

Allegation: It was alleged that a Member had each breached the following section of the Code of Conduct:

- **Paragraph 3(1)**
You must treat others with respect
- **Paragraph 3(2)(a)**
You must not do anything which may cause your authority to breach any of the equality enactments.
- **Paragraph 5**
You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or authority into disrepute.

Decision of Assessment Panel:

No Further Action

Date of review request: 05 April 2012

Date of Assessment Review Panel: 18 May 2012

Number of working days to Review Panel: 32

Decision of Assessment Review Panel:

No Further Action

3.15 Complaints where a decision of the Standards Committee Assessment Panel is pending

There are no cases falling into this category.

3.16 The Local Government Ombudsman complaints 2012/13

	Maladministration causing injustice	Discontinue investigation	Local Settlement	No Maladministration	Not to initiate investigation	Outside Jurisdiction	Premature Complaint	Not yet determined	Total
Adult Assessment								1	1
Adults Provider									
Children and Families		1							1
City Infrastructure								1	1
City Services									
Housing and Social Inclusion		1						1	2
Planning & Public Protection				1					1
Resource Units									
Tourism & Leisure									
		2		1				3	6

3.16.1 The above table shows there have been six complaints considered by the Local Government Ombudsman so far in the year 2012/13.

3.16.2 Three complaints have yet to be determined, the Ombudsman has discontinued their investigation into two cases and in one case they reached a finding that there had been no maladministration.

4. CONSULTATION

4.1 There has been no consultation

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: Anne Silley Date: 23 May 2012

Legal Implications:

5.2 There are no legal implications

Lawyer Consulted: Liz Culbert Date: 22 May 2012

Equalities Implications:

5.3 There are no Equalities implications

Sustainability Implications:

5.4 There are no Sustainability implications

Crime & Disorder Implications:

5.5 There are no Crime and Disorder implications

Risk and Opportunity Management Implications:

5.6 There are no Risk and Opportunity Management implications

Corporate / Citywide Implications:

5.7 There are no Corporate or Citywide implications

SUPPORTING DOCUMENTATION

Appendices:

1. None

Documents In Members' Rooms

1. None

Background Documents

1. None

Subject:	Targeted Budget Management (TBM) Provisional Outturn 2011/12		
Date of Meeting:	26 June 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 This report sets out the provisional outturn position (Month 12) on the revenue and capital budgets for the financial year 2011/12. The final outturn position is subject to the annual external audit review. This will be shown in the council's financial statements which must be signed by the Chief Finance Officer by 30 June 2012 and the audited set approved by the Audit & Standards Committee by 30 September 2012.

2. RECOMMENDATIONS:

- 2.1 That the Committee note the provisional outturn position for the General Fund, which is an underspend of £4.370m. This includes £3.831m for the council controlled budgets (compared to £3.187m assumed at budget setting time) and £0.539m on the NHS managed S75 budgets.
- 2.2 That the Committee note the provisional outturn for the Housing Revenue Account (HRA) for 2011/12.
- 2.3 That the Committee approve the carry forward requests totalling £5.602m as detailed in Appendix 2.
- 2.4 That the Committee approve the changes to provisions and reserves set out under Corporate Budgets in Appendix 1.
- 2.5 That the Committee agree to fund initiatives totalling £0.662m from unallocated reserves in 2012/13 as detailed in Appendix 2.
- 2.6 That the Committee note the provisional outturn position on the capital programme.

- 2.7 That the Committee approve the following changes to the capital programme
- (i) The budget re-profiling as set out in Appendix 1;
 - (ii) The carry forward of slippage into the 2012/13 capital programme, to meet on-going commitments on these schemes as set out in Appendix 1.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 Reporting has been summarised by strategic budget areas with Appendix 1 providing details of the commissioning and delivery units aligned with these areas. This includes information on critical capital schemes (paragraph 3.22) and capital summaries are included for each of the strategic budget areas within Appendix 1.
- 3.2 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund and the outturn on NHS managed S75 Partnership Services. More detailed explanation of the variances can be found in Appendix 1.

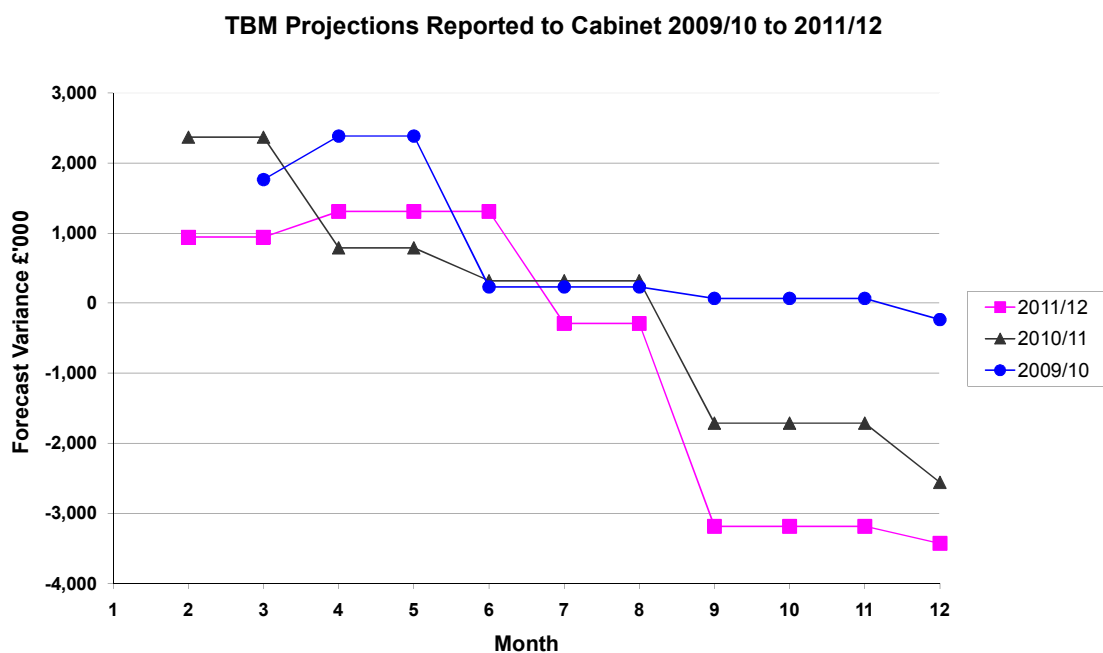
Forecast Variance Month 9 £'000	Directorate	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(2,480)	People	127,579	123,249	(4,330)	-3.4%
135	Place	38,533	37,925	(608)	-1.6%
(25)	Communities	11,943	11,904	(39)	-0.3%
(396)	Resources & Finance	38,108	36,738	(1,370)	-3.6%
(2,766)	Sub Total	216,163	209,816	(6,347)	-2.9%
(421)	Corporate Budgets	(14,293)	(11,777)	2,516	17.6%
(3,187)	Total Council Controlled Budgets	201,870	198,039	(3,831)	-1.9%
(137)	NHS Trust managed S75 Services	14,168	13,629	(539)	-3.8%
(3,324)	Total Overall Position	216,038	211,668	(4,370)	-2.0%

- 3.3 The Total Council Controlled Budgets line in the above table represents the total forecast outturn on the Council's General Fund. The General Fund includes Commissioning Units and Service Delivery Units, which are organised under the strategic areas of People, Place and Communities. These, together with Resource & Finance Units, corporate budgets and Council-managed Section 75 services, make up the Total Council Controlled Budgets. The NHS Trust-managed Section 75 Services line represents those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Trust and Sussex Community NHS Trust and

include health and social care services for Adult Mental Health, Older People Mental Health, Substance Misuse, AIDS/HIV, Intermediate Care and Community Equipment. It is agreed with partners that the underspend of £0.539m is attributable to the Council and therefore can contribute directly to the overall position.

Comparison with Previous Years

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



Corporate Critical Budgets

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

Forecast Variance Month 9 £'000	Corporate Critical	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(589)	Child Agency & In House	21,697	21,112	(585)	-2.7%
(147)	Sustainable Transport	(14,238)	(14,488)	(250)	-1.8%
(355)	Housing Benefits	(738)	(1,289)	(551)	-74.7%
(713)	Community Care	43,210	41,458	(1,752)	-4.1%
(1,804)	Total Council Controlled	49,931	46,793	(3,138)	-6.3%
(137)	S75 NHS & Community Care	14,168	13,629	(539)	-3.8%
(1,941)	Total Corporate Critical Budgets	64,099	60,422	(3,677)	-5.7%

Carry Forward Requests

- 3.6 Under the Council's Financial Regulations the Director of Finance may agree carry forwards of up to £0.050m per member of the Corporate Management Team service area, if it is considered that this incentivises good financial management. A total of £0.600m has been agreed for 12 of the 25 potential areas due to their significant contribution to the overall underspend.
- 3.7 Policy & Resources approval is required for carry forward requests in excess of £0.050m per member of Corporate Management Team service area. These total £5.602m and have been included in the outturn figures above. An analysis of this is provided in Appendix 2.
- 3.8 The non grant funded element of this totals £1.841m and a detailed breakdown of this is provided in appendix 2. These items have been proposed where funding is in place for existing projects or partnership working that crosses over financial years and it is therefore a timing issue that this money has not been spent in full before the year end.
- 3.9 The element relating to grant funding totals £3.761m. Under current financial reporting standards, grants received by the Council that are unringfenced or do not have any conditions attached are now recognised as income in the financial year they are received rather than in the year in which they are used to support services. Prior to 2011/12 these unspent grants would have automatically rolled into the next financial year to fund the commitments against them but now they need to be agreed as part of the carry forward requests.
- 3.10 Of the £3.761m, a sum of £1.168m relates to the Dedicated Schools Grant. Under the Schools Finance Regulations the unspent part of the DSG must be

carried forward to support the schools budget in future years. The unspent balance of the DSG is after a sum of £1.000m has been used to create a reserve to fund schools capital expenditure and £0.100m has been used to create a reserve to fund automatic meter readers (AMR's) in schools.

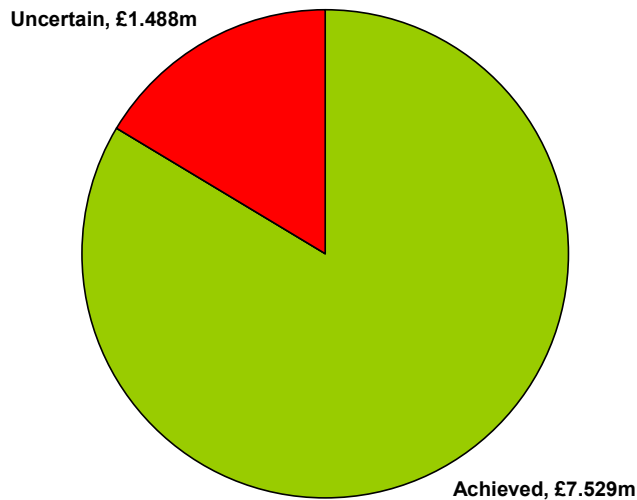
- 3.11 Also included within the £3.761m is a sum of £0.160m relating to matched funding for the food waste trial. This is a European INTERREG grant scheme that the Council is currently bidding for and was reported to Cabinet on 10 May 2012. This matched funding element is required for the purchase of vehicles so that the scheme can begin in April 2013 if the bid is successful.
- 3.12 In addition, there are some initiatives which have not been treated as carry forward requests as it is considered that they require specific member approval because they are new expenditure commitments. They have therefore not been assumed in the outturn figures set out above. These total £0.662m and are described in detail in Appendix 2. If these are approved they can be funded in 2012/13 from unallocated reserves.

Value for Money (VfM) Programme

- 3.13 The Value for money programme contains large, complex projects which include additional temporary resources (e.g. Project Managers) to ensure they are properly planned and implemented to achieve the required financial and non-financial benefits. However, the projects carry significant risks and may need specialist advice or skills that can be in short supply or they may need to navigate complex procurement or legal processes. Therefore each month the TBM report has quantified the progress on savings in terms of those savings that have been achieved, those that are anticipated to be achieved (i.e. low risk) and those that remain uncertain (i.e. higher risk). Now that we have reached year-end, the analysis is split between achieved and uncertain. Those that are uncertain will continue to be pursued in 2012/13 except where changes to VfM targets were made in the approved 2012/13 budget.
- 3.14 The level of 'uncertain' savings has reduced further since month 9 from £1.697m to £1.488m following achievement of the full VfM savings target in Adult Social Care. Overall, VfM savings of some £7.529m have been identified against an original target of £7.752m. The overall level of savings is close to target primarily due to a significant over-achievement of savings of £1.265m within the Children's Services VfM project which has successfully reduced placements costs for looked after children. In the main, where further savings are still to be achieved, these have been offset by one-off counter measures in 2011/12 and efforts to identify the full savings requirements are continuing into 2012/13. Further information about individual VfM projects is included in Appendix 1 under the relevant strategic area.
- 3.15 A summary of current progress toward VfM savings is shown below and a detailed breakdown for each project is provided at Appendix 3.

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

Current VfM Target 2011/12 = £7.752m (Full Year = £9.502m)



Total Savings of £7.529m achieved against a target of £7.752m

Collection Fund

3.16 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. The council's share of the collection fund deficit at 31st March 2012 was £0.713m, which represents an improvement of £0.137m from the deficit reported at month 9. Council tax collection was above target and the deficit is entirely as a result of a lower than anticipated liability mainly resulting from increased exemptions awarded.

Housing Revenue Account

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

Forecast Variance Month 9 £'000		2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
	Housing Revenue Account				
(1,025)	Expenditure	50,330	48,178	(2,152)	-4.3%
136	Income	(50,330)	(50,197)	133	0.3%
(889)	Total	-	(2,019)	(2,019)	

Capital Budget 2011/12

- 3.18 The table below provides a summary of the capital programme by strategic theme and shows an overall underspend of (£0.899m). Within Appendix 1 for each budget area there is a breakdown of the capital programme by Unit.

Forecast Variance Month 9 £'000	Budget Area	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Outturn Month 12 %
0	People	25,951	25,948	(3)	0.0%
(1,134)	Place	87,946	86,404	(1,542)	-1.8%
310	Communities	2,482	3,045	563	22.7%
(150)	Resources & Finance	4,104	4,187	83	2.0%
(974)	Total Capital	120,483	119,584	(899)	-0.7%

- 3.19 Appendix 1 provides details of changes to capital schemes which are included in the budget figures above. Policy & Resources Committee approval for these changes is required under the council's Financial Regulations. Some of the changes are necessary for the Council to comply with International Financial Reporting Standards (IFRS) for the Statement of Accounts and where significant changes have occurred an explanation is contained in Appendix 1.

Capital Budget Movement	2011/12 Budget £'000
Summary	
Approved Budget Month 9	82,715
Changes reported to previous Cabinet meetings	122
New Schemes	0
IFRS Accounting Changes	47,348
Variations to Budget (to be approved by Policy & Resources Committee)	(8,167)
Slippage	(1,535)
Total Capital	120,483

- 3.20 Appendix 4 shows an analysis of movements in the capital budget including new schemes, IFRS accounting changes, re-profiled schemes (carry forwards) to the 2012/13 programme and 'slippage'.
- 3.21 The slippage declared into next year has been included under the schemes identified in Appendix 4. Project managers have forecast that £1.535m of the capital budget will slip into the next financial year, which, when added to the

amount in month 9 of £3.544m, gives a total slippage for the year of £5.079m or 4.22% of the capital budget.

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

Budget Area	Scheme	Budget (£'000)	Description
People	New Primary School Places	9,969	Delivery critical to keep pace with anticipated increased demand for primary school places (budget after a reprofile of £0.043m).
Place	Vehicle Replacement	475	Forms part of the VfM programme. Delivery is critical to enable planned revenue savings from improved fleet management (budget after a reprofile of £0.201m).
Resources	Accommodation Strategy	2,754	Forms part of the Workstyles VfM programme. Delivery is critical to enable planned vacation of Priory House (budget after a reprofile of £0.093m).
Resources	Solar Panel Implementation	0	£0.250m re-profiled into 2012/13 for 3 corporate buildings. The remaining budget is not required following the report to Cabinet on 19 th January.
Total		13,535	

Capital Receipts

- 3.23 Capital receipts are used to support the capital programme. For 2011/12 capital receipts (excluding 'right to buy' sales) of £0.870m have been received which includes the disposal of 47 Middle Street, Ovingdean and 34 Roedean Crescent and the second instalments for the deposits on Charter Hotel, Kings Road and the Ice Rink at Queens Square. The target for capital receipts was £0.820m and this has been exceeded by £0.050m.
- 3.24 The Government receive 75% of the proceeds of 'right to buy sales'; the remaining 25% is retained by the Council and used to fund the capital programme. The net receipts for 'right to buy' sales in 2011/12 is £0.389m, the target level of net receipts was £0.638m, a shortfall of £0.249m.
- 3.25 The first tranche of receipts totalling £6.462m from the housing Local Delivery Vehicle (LDV) have been received in 2011/12. The net receipts are ringfenced to support investment in council owned homes.

Comments by the Director of Finance

- 3.26 The provisional outturn is very encouraging from a financial management perspective, particularly given the scale of the savings that have been implemented during 2011/12, and releases further one-off resources to support the challenging budgets for 2012/13 and 2013/14. It is important to note that the overall underspend, while substantial in cash terms, only represents a 1.9% variance on the net General Fund revenue budget.
- 3.27 When the Council set its budget it assumed an underspend of £3.187m and committed all of those resources in setting the 2012/13 budget. The additional underspend at year end over and above that originally assumed is £1.183m greater releasing additional unallocated resources. This report proposes to commit £0.662m to new initiatives, leaving £0.521m available to meet the commitments relating to Saltdean Lido and support the 2013/14 budget setting process.
- 3.28 The report sets out the detailed explanations for the underspend but there are a number of common themes that have continued to be in evidence from month 9 through to outturn:
- the continued positive impact of the Value for Money Programme on corporate critical social care spending in both children's and adults services including significant over-achievement of the Children's Services VfM project;
 - advance planning for the delivery of savings for 2012/13;
 - a recognition across the organisation of the budget challenges that are being faced resulting in tight control on discretionary spend, recruitment, agency spend and consultancy spend.
- 3.29 All the key areas of underspend have been analysed to determine whether they are one-off or recurrent. These checks will continue as we progress through 2012/13 and we see early spending forecasts to help inform budget planning for 2013/14 and 2014/15.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

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

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Legal Implications:

- 5.2 Decisions taken in relation to the budget must enable the council to observe its legal duty to achieve best value by securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy,

efficiency and effectiveness. The council must also comply with its general fiduciary duties to its Council Tax payers by acting with financial prudence, and bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit Council Tax & precepts.

Lawyer Consulted: Oliver Dixon

Date: 23/05/2012

Equalities Implications:

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

Sustainability Implications:

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

Crime & Disorder Implications:

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

Risk and Opportunity Management Implications:

- 5.6 The Council's revenue budget and Medium Term Financial Strategy contain risk provisions to accommodate emergency spending, even out cash flow movements and/or meet exceptional items. The council maintains a minimum working balance of £9.000m to mitigate these risks as recommended by the Audit Commission and Chartered Institute of Public Finance & Accountancy (CIPFA). The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments

Public Health Implications:

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

Corporate / Citywide Implications:

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

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 The provisional outturn position on council controlled budgets is an underspend of £3.831m. In addition there is an underspend of £0.539m on the NHS managed S75 budgets. As mentioned above, subject to approval underspending will release one-off resources and carry-forwards that can be used to help services manage the challenging budget and savings required in 2012/13.

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. Service Revenue Outturn Forecasts
- 2. Carry Forward Requests
- 3. VfM Programme Benefits Realisation
- 4. Capital Outturn Summary

Documents in Members' Rooms

None.

Background Documents

None.

People - Revenue Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(1,024)	Commissioner - Children's Youth & Families	16,412	15,200	(1,212)	-7.4%
(253)	Commissioner - Learning & Partnership	9,195	8,701	(494)	-5.4%
(114)	Delivery Unit - Children's & Families	38,858	38,485	(373)	-1.0%
(1,391)	Total Children's Services	64,465	62,386	(2,079)	-3.2%
(238)	Commissioner - People	247	(48)	(295)	-119.4%
(869)	Delivery Unit - Adults Assessment	48,049	46,140	(1,909)	-4.0%
18	Delivery Unit - Adults Provider	14,818	14,771	(47)	-0.3%
(1,089)	Total Adult Services	63,114	60,863	(2,251)	-3.6%
(2,480)	Total Revenue - People	127,579	123,249	(4,330)	-3.4%

Explanation of Key Variances

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

Commissioner – Children, Youth & Families

There is an underspend of £1.016m in respect of residential agency placements resulting from lower than budgeted numbers of children placed and average unit costs. There is also an underspend of £0.410m on secure placements.

The numbers of children placed in independent foster agency (IFA) placements continues to rise. During 2010/11 there were 164.52 FTE placements representing a 23% increase on the previous year. During 2011/12 there were 186.65 FTE placements. Despite a significant reduction in the number of Parent & Baby placements the overspend is £0.686m.

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

A number of new safeguarding posts have been created in 2011/12 and these were not fully recruited until recently resulting in an in-year underspend of £0.088m.

The Children's Services Value for Money programme is effectively addressing the level of activity and spend in the placement budgets for 'looked after children'. The plan focuses on strengthening preventive services and streamlining social work processes including:

- implementing a tiered approach to the procurement of placements for looked after children, reducing the proportion of high cost placements;

- improving the commissioning of expert assessments in care proceedings, strengthening arrangements for early permanence planning and increasing the numbers of in-house foster placements and adopters;
- developing pathways from social work to early help services to systematically identify and track families who may need a Family Assessment (CAF) to prevent referral or re-referral for social work assessment and intervention;
- commissioning a transformational workforce development programme to support social work services to further improve the quality of social work practice and reduce the need for high cost interventions;
- creating a costed directory of effective interventions so that all staff/partners have clarity about all interventions delivered with evidence of effectiveness and associated costs.

The 2011/12 children's services VfM savings target was £2.019m. The final outturn figures confirmed that the programme has significantly exceeded the savings target by 163% (a total of £3.284m achieved).

Commissioner – Learning & Partnership

There are underspends of £0.301m in Home-to-School Transport, £0.054m in the School Improvement Service, £0.058m for Education Welfare, £0.058m for the Foundation Learning Engagement programme and £0.044m for SEN administration. The underspend on Home-to-School transport reflects the continued downward trend in the numbers of children being transported as well as the more favourable terms of the recently renegotiated contracts. These are partially offset by the overspend of £0.071m relating to the closure of the Learning Development Centre (LDC) at the end of January and the associated loss of booking income. This is related to planned changes across the service and links to the corporate accommodation strategy.

Delivery Unit – Children & Families

The corporate critical budget for agency disability placements overspent by £0.297m. The number of children with disabilities placed has increased over the last 12 months and now there are 15 children in placement compared with a budgeted level of 11 places.

Allowances and direct services for adopted children overspent by £0.153m. This is predominantly caused by inter-agency adoption costs where the Council belongs to a group of local authorities in an effort to obtain the best matches for adoptive parents. The net costs of these adoptions are then recharged between the group members and this year it is anticipated that BHCC will have a net liability. This is a very volatile service area and may be subject to significant changes during the year.

There is an overspend of £0.359m on social work teams. A successful advertising campaign in the spring/early summer saw the recruitment of a dozen new staff but there is continuing churn of social workers. A particular challenge remains whereby other local authorities, including London boroughs offering a significant 'golden hello', are drawing-in staff from across the south east. Front-line teams are significantly staffed by younger people who have greater mobility.

There is also an overspend of £0.060m on the corporate critical budget for services to care leavers.

The overspends mentioned above are off-set by the underspend of £0.202m in the corporate critical budget for in-house placements. The budget allowed for 416 FTE placements of differing types and the actual numbers are 17.7 FTE below this level. This is mainly due to less residence order and family & friends placements than budgeted. The average unit costs are slightly higher than budgeted mainly as a result of the mix of different placements with fewer children in the lower cost placement types (e.g. residence order & family & friends placements). There are also underspends of £0.465m for Sure Start services, £0.115m relating to the in-year review of Early Intervention Grant (EIG) related services, £0.197m on Youth services and £0.144m on the Youth Employability Service (YES). The 2011/12 budget for YES includes a one-off amount of £0.200m transition funding and £0.093m relating to the part year effect of the 2011/12 savings proposals. The underspend arose as a result of robust financial management contributing towards balancing the overall Children's Services budget. In addition, the actual transitional costs turned out to be less than initially estimated while designing the new service. As the transitional funding was one-off, it is not available to fund developments which would extend beyond 31st March 2012.

Commissioner - People

The underspend is £0.295m, largely as a result of staff savings identified and one-off income streams. This is an improvement of £0.057m from Month 9.

Delivery Unit – Adults Assessment

Assessment Services are reporting an underspend of £1.909m (an improvement of £1.040m from Month 9) due to further savings identified against the Community Care budget, over and above the challenging budget strategy savings target for 2011/12. The movement has been against Older People (£0.212m), Physical Disabilities (£0.218m) and Learning Disabilities (£0.594m). There has been evidence of changing needs of people being discharged from hospital for which appropriate funding has been agreed.

The underspend of £0.732m against Older People relates to anticipated growth trends not materialising (100 WTE clients less than budgeted); in the main this is attributed to the effectiveness of prevention services, in particular reablement. The underspend of £1.036m against Learning Disabilities relates to both net growth and costs on residential placements being less than budgeted (approximately 9 WTE clients). The position on Learning Disabilities has also been improved by a reduction in the anticipated costs of transition cases (£0.344m); a further reduction in unit costs from negotiations with providers (£0.124m) and over-achievement of the financial recovery plan from continuing health care income (£0.222m). This reflects the success of the framework contract and better use of specialised placements.

The underspends have been offset by a pressure on Physical Disabilities of £0.078m (4 WTE clients more than budgeted) and there has been a reduction in spend of £0.063m against the No Recourse to Public Funds (NRPF) budget. Against the Assessment Teams, there is an underspend of £0.157m, largely from staff savings.

Delivery Unit – Adults Provider

Provider Services are showing an underspend of £0.047m (an improvement of £0.065m from Month 9). The improvement reflects the management controls over expenditure in provider services, and staff flexibility and support to deliver challenging savings plans.

People – Capital Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Delivery Unit - Children's & Families	171	154	-17	-9.9%
0	Commissioner – Learning & Partnership	25,252	25,266	14	0.1%
0	Total Children's Services	25,423	25,420	-3	0.0%
0	Delivery Unit - Adults Provider	224	224	0	0.0%
0	Delivery Unit - Adults Assessment	303	303	0	0.0%
0	Commissioner - People	1	1	0	0.0%
0	Total Adult Services	528	528	0	0.0%
0	Total People	25,951	25,948	-3	0.0%

Critical Budget – New Primary School Places reprofile of £0.043m

At month 9 it was reported that no substantive design or building work had started on the provision of junior places related to the additional infant places at Connaught Road or the reorganisation of primary places in Portslade. As a result, £1.000m was reprofiled into 2012/13.

Negotiations are currently taking place in relation to a site in Hove for the junior expansion linked to Connaught Road and also for a site to enable the expansion of St Peter's Infant School in Portslade. The work to create a 2 form entry primary school at Benfield Primary is due to complete at the end of May 2012.

Design work has now started at St Nicolas CE Junior and Portslade Infant Schools in Portslade. Proposals are slightly further advanced at St Nicolas with a projected start on site in January 2013. The budgets available in 2012/13 for the Primary Capital Programme will fund the £0.043m reprofiled sum.

Other Variations**Commissioning – Learning & Partnership****Devolved Formula Capital (£0.155m)**

Devolved Formula Capital is a financial resource that is devolved to schools by the Local Authority. Part of the terms of this Department for Education grant provides schools with the option to accrue the money for a maximum of 3 years. However, accrued funds are normally retained by the Local Authority. The outstanding balances represent the funds that schools have chosen not to take up this year. These outstanding budgets are to be reprofiled and made available to the relevant schools in 2012/13.

Other minor variances

There are reprofiles of Fairlight Primary School IT Equipment (£0.020m), Whitehawk Co-location (£0.026m), Structural Maintenance (£0.036m) and Capital Maintenance £0.041m into 2012/13.

Delivery Unit – Children’s & Families

Short Breaks for Disabled Children (£0.058m)

The underspend is due to the fact that 2 providers are sourcing adapted people carrier vehicles funded through grant. This has taken longer than anticipated, therefore this budget will now be spent in the early part of 2012/13.

Other minor variances

There are reprofiles within Children’s Social Services of (£0.049m) and Youth Capital Fund (£0.002m).

Commissioner – Adult Services

Minor Variances

A reprofile of (£0.004m) to be agreed by Cabinet for Cromwell Road Basement Development following a (£0.145m) reprofile at TBM9.

Delivery – Adults Assessment

Adaptations for the Disabled (£0.119m)

The minor adaptations budget needs to be reprofiled to 2012/13 as the main contractor has taken considerable time to carry out and invoice for adaptations towards the latter part of the year and therefore both payments and scheduled works have had to be carried over. This contractor is no longer being used and new contractors are being sought via the Major & Minor Adaptations Framework that is currently out for tender.

Minor Variances

Reprofiling of the following schemes is required: Adult Social Care Reform Grant (£0.019m).

Delivery Unit – Adults Provider

Minor Variances

There are reprofiles for Misc Provider Adaptations and Equipment (£0.016m), Telecare Provider (£0.001m) and Beach House adaptations (£0.005m).

Slippage

Commissioning – Learning & Partnership

Brighton Aldridge Community Academy and Portslade Aldridge Community Academy (£0.562m)

There was an underspend on Brighton Aldridge Community Academy of £0.626m and this will be added to the budget of £0.391m to cover the remaining works. Similarly the Portslade Aldridge Community Academy slippage of £0.064m will reduce the budget in 2012/13 of £12.514m.

Delivery Adults Assessment

Telecare Assessment (£0.050m)

There is a relatively low take up of Telecare in relation to the potential number of households who could benefit. This is expected to change during 2012/13 as the benefits are realised from the intensive marketing and training strategy undertaken in conjunction with health and third sector partners.

International Financial Reporting Standards (IFRS) Accounting Changes

International Financial Reporting Standards (IFRS) requires expenditure that does not enhance the building or asset to be charged to revenue. These adjustments are processed at the year end and budgets and actual spend are amended accordingly alongside any additional Direct Revenue Funding (DRF) contributions where necessary. For 'People' there are changes of £(0.799m) for education and adults adaptations.

Underspends / Overspends

Within Commissioning Learning & Partnership there was a small overspend on various capital schemes totalling £0.014m. In the Delivery Unit - Children and Families there was a (£0.017m) underspend on various projects that ended in 2011/12. The total of both resulted in a small underspend of (£0.003m).

Place - Revenue Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
72	Commissioner – City Regulation & Infrastructure	3,282	3,475	193	5.9%
(191)	Delivery Unit - City Infrastructure	17,816	17,371	(445)	-2.5%
(23)	Delivery unit - Planning & Public Protection	4,764	4,747	(17)	-0.4%
(21)	Major Projects	306	268	(38)	-12.4%
(163)	Total City Regulation & Infrastructure	26,168	25,861	(307)	-1.2%
67	Commissioner - Housing	12,066	11,560	(506)	-4.2%
231	Delivery Unit - Housing & Social Inclusion	299	504	205	68.6%
298	Total Housing	12,365	12,064	(301)	-2.4%
135	Total Revenue - Place	38,533	37,925	(608)	-1.6%

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

Sustainable Transport has a provisional outturn overspend of £0.193m, an adverse movement of £0.121m since month 9. Of this, £0.159m relates to Transport Policy and the need to secure additional technical support for considering the transport implications of major planning applications in the city. There has been an improvement in relation to recharging officer time to projects of £0.043m.

Delivery Unit - City Infrastructure

Parking Operations has an underspend against budget of £0.250m, an improvement of £0.103m since month 9.

There is a shortfall in the level of on-street pay and display income but this is mitigated by increases in permit income, leading to an overall surplus against budget of £0.080m, which is an improvement of £0.120m since month 9. The position for the off street car parks is now an overspend against budget of £0.097m, an improvement since month 9 of £0.081m.

Income from penalty notices is £0.017m less than expected at month 9, at £0.246m higher than budget. This is due to concentrating enforcement in the areas most affected by poor parking, and through enforcement of bus lanes. Expenditure savings through efficiencies in the removals service and enforcement contract variations increased by £0.013m since month 9 to produce total savings of £0.181m. £0.340m is being used as a revenue contribution to capital for the refurbishment works at Regency Square car park, thus reducing the need for borrowing, releasing additional revenue resources in the long term.

There is no change since month 9 to the following: salary underspends total £0.080m due to vacancy management, and there is an underspend of £0.130m owing to improvements to the system of medical assessments for blue badges.

Other Traffic Budgets are showing an improvement since month 9 of £0.065m relating to staffing costs.

City Clean and City Parks have jointly achieved an underspend against budget of £0.112m representing 0.5% of the budget. After offsetting vehicle management costs within the two areas, the underspend relates primarily to efficiencies in City Parks.

Delivery unit - Planning & Public Protection

Development Planning has an underspend against budget of £0.040m, an adverse movement of £0.029m since month 9. Although there are some movements between the teams in Planning, the movement is due to a shortfall in Development Control income.

The provisional outturn for Public Protection is an overspend against budget of £0.091m, an adverse movement since month 9 of £0.045m comprising a number of minor variations, Economic Development has an underspend against budget of £0.068m. Of this £0.026m relates to LABGI funding (Local Authority Business Growth Incentive) identified after month 9 and the remainder to an underspend in the Initiatives budget.

Major Projects

There is an underspend of £0.038m relating to staffing costs and other minor variances.

Commissioner – Housing

The movement from a forecast overspend of £0.067m at month 9 to an underspend of £0.506m at outturn is mainly due to the income for emergency placements which we over-achieved on. The implementation of a rent accounting system this coming year (2012/13) will enable us to more accurately monitor the Temporary Accommodation budget. In addition, we were successful in negotiating sufficient leased accommodation at a preferential rate to offset the projected increase in more expensive spot purchase accommodation from an under spend in the Housing Options staffing budget, which was due to the difficulty in recruiting appropriate staff.

Delivery Unit – Housing & Social Inclusion

The main variance relates to the budget for Travellers, which has overspent by £0.222m during 2011/12. This is due to additional costs for security (£0.105m), rubbish clearance (£0.085m) and legal fees (£0.045m). These costs are offset by minor underspends elsewhere in the service. Additional funding has been included in the 2012/13 budget for this service area.

Place – Capital Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(22)	Commissioner - City Regulation & Infrastructure	4,987	5,148	161	3.2%
(325)	Delivery Unit - City Infrastructure	52,156	51,752	(404)	-0.8%
0	Major Projects	282	281	(1)	-0.4%
(347)	Total City Regulation & Infrastructure	57,425	57,181	(244)	-0.4%
0	Commissioner – Housing	4,714	4,715	1	0.0%
(787)	Delivery Unit - Housing & Social Inclusion (HRA Capital)	25,807	24,508	(1,299)	-5.0%
(787)	Total Housing	30,521	29,223	(1,298)	-4.3%
(1,134)	Total Place	87,946	86,404	(1,542)	-1.8%

Critical Budget – Vehicle Replacement**Place – Capital Budget Summary****Critical Budget – Vehicle Replacement reprofile of (£0.201m)**

A reprofile of (£0.076m) is requested as a result of suppliers delivering the vehicles in early April which was later than expected. A further reprofile is requested of (£0.125m) as a result of the supplier going into administration and the associated delay from finding another supplier.

Variations**Commissioner – City Regulation & Infrastructure****Minor Variations**

There are reprofiles of Cedar Gardens Roadworks (£0.016m), West Street Rottingdean (£0.008m) and King George VI Highway Works (£0.004m) are required.

Delivery Unit – City Infrastructure**Hollingdean Depot Capital Costs reprofile of (£0.126m)**

Demolition delays have resulted in additional health and safety measures being implemented to the building itself and increased health and safety monitoring.

Reprofiles under (£0.050m)

Minor reprofiles are requested for Stoneham Recreation Ground £(0.035)m and Turner Park £(0.007)m.

Commissioner – Housing

Variations to schemes over £0.050m

Renovation Grants and Energy Efficiency £(0.245m)

This carry forward request is to meet £0.245m of commitments against works approved but not yet completed under the Regulatory Reform (Housing Assistance) Order 2003 including for common parts assistance, decent homes assistance, empty property assistance, HMO licensing grant, landlords major work assistance, landlords minor heating grant and minor decent homes grant.

The Private Sector Housing Team approves expenditure in the form of loans or grants to several hundred individual applicants to assist them with improving their homes and current policy allows these applicants 12 months to complete the works; only at this stage is payment made to the property owner. The Council has no control over how quickly applicants complete the building work within the statutory time limits after the formal approval has been granted. There are therefore a large number of approved cases in the pipeline, where applicants, for a number of reasons, outside of the council's control, have not completed the actual work by year end. These reasons can include the availability of local builders, delays in service connections, additional works required, unforeseen delays due to weather, building and planning consents required.

The capital for Private Sector Housing Renewal comes in the form of grant which can be carried forward.

Disabled Facilities Grant £(0.138m)

An unanticipated in-year grant of £0.092m was received in January 2012, which was too late to defray before year-end given existing commitments, it is requested this is carried forward to 2012/13. The remaining £0.046m is a carry forward of actual commitments. This reflects those grants that were approved and committed in 2011/12, but not completed by applicants. These grants are awarded to hundreds of disabled individuals each year to help with adapting their homes under Part I of the Housing Grants, Construction and Regeneration Act 1996.

The legislation allows these individuals 12 months to complete the works following approval. Only on completion can payment be made. There are therefore a number of approved cases in the pipeline, where applicants, for a number of reasons, have not completed the actual work by year-end. The Council has no control over how quickly applicants complete the building work within the statutory time limits after the formal approval has been granted. Reasons for delay can include the availability of specialist local builders, the co-ordination of a number of different support agencies, delays in service connections, additional works required, unforeseen delays due to weather and building/planning consents required.

Major Adaptations £(0.082m)

There are a number of applicants where funding has been approved in principle during 2011/12 which is in excess of £0.100m in total, however delays occur due to the

complexity of individual cases, including issues such as client consultation regarding the design of the adaptation, and it anticipated these payments will now be made during 2012/13.

Reprofiles under (£0.050m)

Reprofiling is required for Housing Local Delivery Vehicle (LDV) on-going costs £0.019m and 'Places for Change' £(0.009m).

Delivery Unit – Housing & Social Inclusion

Variations to schemes over £0.050m

Door Entry System and CCTV (£0.279m)

The Door Entry System replacement programme has been setback due to a delay in the procurement process, where a selected framework did not satisfy the Council's standard requirements for procurement. Due to the value of the programme of works and the requirement for consultations there is not now enough time to tender for and carry out the works in this financial year.

New door entry systems have been installed in some smaller blocks and other urgent installations are being treated as priority through a mini tender process. All potential delays are communicated with residents and risk managed to ensure that any repair service delivery issues are understood and treated with sensitivity.

Health & Safety - Lift Replacement (£0.299m)

It was reported to Cabinet at month 7 that due to the timetable for procuring the long term lift maintenance and replacement contract the council had been unable to start the programmed work due under this contract. This work started in January 2012 and will take approximately 32 weeks which means that an element of these works will not be completed in the financial year 2011/12. It is now necessary for additional reprofiling of £0.299m following measurement of works completed by 31 March 2012.

Lifts will be replaced in priority order and those which will be completed in 2012/13 have been identified as relatively reliable based on expert advice from our lift consultants, therefore there are no expect adverse impacts on the service delivery.

Fire Safety (£0.253m)

Additional ventilation works that were not specified in the original programme have been identified by East Sussex Fire & Rescue Service as being required in order to conform to current regulations.

As these specially commissioned works were not in the original programme they needed to be separately priced and tendered. The time for completion of the tender process and for the manufacture of the bespoke louver vents required has meant this programme will start later than expected and is now scheduled to be completed in May 2012. There will be no negative impact on the service delivery to residents.

Empty Properties (£0.300m)

This programme targeted a relatively small number of empty properties requiring a significant amount of work, to bring homes back into use.

Due to delays in gaining access to properties caused by squatters, surveying of these properties to scope the works required have not been completed within original

timescales, which meant the majority of planned work has been unable to start on site before the beginning of the new financial year.

There will be no negative impact on the service delivery to residents. Once we are able to complete these works it will have a positive impact for residents as it will bring extra properties back into use.

Structural Repairs (St James House) £0.092m

Works being carried out at St James House relating to the Car Park and structural works are being carried over 2 phases and financial years.

At month 7 the structural repairs budget of £0.753m had been reprofiled to financial year 2012/13 and this included budget provision for St James House (Phases 1 & 2).

Upon completion of phase 1 it is now required that a proportion of the reprofiled budget for structural repairs is brought back into 2011/12 to fund the outturn expenditure. It is anticipated that the overall project for both phases will remain within existing capital programme budgets.

Pre-Lease Conversion Refurbishment (£1.998m)

The time taken to set up the new company and legal sign-off of batching arrangements delayed the release of the total budget (until October 2011). The partnership had planned works and put in place resources to deliver all project sites.

Once lease agreements between the City Council and Seaside Homes were finalised, works were undertaken and have been completed at 40 Wilbury Villas. Some sites were delayed due to squatting, preventing access to sites for pre-works surveys and health & safety works.

Works are on-site at 4 College Terrace, 176 Ditchling and 40 Dyke Road. We are also ready to start 243/245 Preston Road, pending final clarifications. Service delivery is ongoing and effective communication with Seaside Homes and other interested parties, including local residents, is in place.

Pre-Lease (seaside) major voids refurbishment (£0.069m)

All the works to empty homes were completed, except for 105 Preston Road, which was delayed due to, firstly, a break-in and damage to the property, followed by the discovery of asbestos, and a collapsed drain at the rear. The project is now due to complete by the end of June 2012. As a result a reprofile of £0.069m is required.

Service delivery is ongoing and effective communication with Seaside Homes and other interested parties, including local residents, is in place.

Kitchen and Bathrooms (£0.076m)

The re-profiled funds were ring-fenced for the improvements required to the studio flats in the Evelyn Court sheltered homes scheme.

An initial feasibility study looked at all investment work required to improve this building, including a proposal to make these dwellings into self-contained one bedroom flats by knocking two dwellings into one.

Recommendations from feasibility studies will be reviewed by the Council in consultation with local tenants and other stakeholders, before proceeding with a preferred option. The preferred option may require a request for further funds.

This process will take time and potentially require the relocation of some residents therefore these works are unable to proceed in this financial year.

This project's delay has not adversely affected service delivery. A decision on further work will need to be made early within new financial year to ensure we achieve our decent homes target.

Domestic & Communal Rewire (£0.240m)

The domestic element of the re-wiring budget is dependent on stock condition survey results which require gaining access to homes to carry out the "test and report" on the electrical wiring. The test and report identify work required, which is then planned and carried out as a programme.

All works planned for this financial year have been carried out, however due to the nature of the programme and access issues a contingency amount is requested to be re-profiled.

The Budget will be required to meet the expected demand in the next financial year due to the drive to meet the decent homes standard in 2013.

This budget issue has not adversely affected service delivery. It is expected to have a positive impact for tenants and the decent homes standard in the next financial year.

Extensions (Overcrowding) (£0.183m)

Work to extend several homes is progressing with individual design consultation with each of the families, identified as most in need.

New legislation around building and construction has created new requirements before we are able to start large extensions and we are working with utility suppliers to prevent any significant delays to works beginning.

There are currently 6 projects ongoing: 3 on-site and 3 at planning stages. Service delivery is ongoing and effective communication with residents of affected dwellings is in place.

Energy Efficiency (£1.131m)

The Energy Efficiency Programme is a large programme of works and although there has been good progress over the last quarter there are some areas of work, in particular the communal heating programme, which will be continuing into the new financial year.

There have been delays in the programme for the following reasons:

- In depth feasibility studies were required to be carried out to inform a review of value for money cost-saving options with local resident and members.
- Additional technical assessments required which include the use of thermographic surveys and can only be effectively carried out at very low temperatures. These surveys identify hot and cold spots on the building, therefore alerting to areas where measures to prevent heat loss from residents' homes and help to tackle the challenge of fuel poverty can be put in place.

This comprehensive approach requires a considerable time to complete, however, the results from thermographic surveys enable the Council to demonstrate the delivery of value for money investment, by quantifying the benefits of planned work such as cladding and insulation to residents' homes. Work enables the Council and residents to save money on their utility bills and provides more accurate estimates for reductions in carbon use resulting from energy efficiency work.

Partnership Establishment Costs (£0.161m)

A proportion of the HRA Capital Programme is carried out through the Partnership contract, which includes an overhead element for delivering the works. Efficiencies in the contract for overheads amounting to £0.055m were achieved in 2011/12 and also an element of overhead expenditure is deferred to 2012/13 due to the reprofiling of some of the capital programme. The reprofile of £0.161 is required to be carried forward to meet the project delivery costs of the programme in 2012/13.

Redevelopment of HRA vacant garage sites (£0.310m) and underspend of £(0.234m)

The funding of the feasibility, design and site preparation for the vacant garage sites to be reimbursed through grant from the Homes and Community Agency (HCA) was approved by Cabinet at month 9.

At that stage the costs and funding for the project still had to be finalised. The cost of the works for the site redevelopment has been calculated at £0.441m and HCA have provided grant to cover these costs providing that work was completed by 30 April 2012.

As at 31 March 2012 expenditure is £0.131m with the balance of £0.310m to be completed by 30 April.

The budget variation is the difference between the original budget allowance and the now known estimated cost of the works/HCA funding. The original budget request had said that if the costs of the project had exceeded the grant received by the HCA, then the balance would be funded out of HRA Capital Reserves.

Variations of under £(0.050m)

There are minor variations on capital budgets for: Windows £0.046m, Dwelling Doors (£0.013m), Estate Development Budget (£0.044m), TV Aerial Works (£0.028m) and Ainsworth House New Build of £0.026m.

Commissioning – Major Projects.

Variations of over £0.050m

Open Market (£0.081m)

The council's development partner delayed the start of works on site to carry out unforeseen detailed design work following the granting of planning permission and to accommodate a request from the market traders to stay in the existing market over the Christmas period before relocating to temporary business accommodation. The original timetable was delayed by approximately 5 months.

The temporary phase of the Open Market remains for the same duration and will therefore have no additional effects on market traders beyond those originally anticipated. The project is now programmed to complete in August 2013.

Brighton Centre Redevelopment (£0.052m)

Twin track options for a full scale refurbishment of the building or for a wider redevelopment of the central area (partnership scheme with Standard Life) are both under consideration. The Major Projects Team are leading on both options in order to move toward a full and robust appraisal of the costs, risks and opportunities presented by each option. The Council had been waiting for Government announcements on funding options including Tax Incremental Financing and Business Rate Retention and the outcome of these announcements need to be reflected in the viability of the above options. The current level of funding is required in readiness for work beginning with Standard Life or to take forward a refurbishment proposal which will require significant work to areas of the building critical to its operation.

Variations under (£0.050m)

Other variations on budgets within Major Projects are for the following schemes: Development of Black Rock Site (£0.039m), Preston Barracks Site (£0.025m), Circus Street Development (£0.018m), Improvements to New England House (£0.015m), Falmer Released Land (£0.007m), i360 Project (£0.008m), Shoreham Harbour (£0.005m), and The Keep (£0.007m).

Slippage of over £0.050m

Delivery Unit – City Infrastructure

Defra Waste Performance and Efficiency (£0.081m)

Replacement recycling vehicles were not ordered pending the outcome of the communal recycling trial.

The Level Skate Park (£0.053)m and Bexhill Road Skate Park (£0.050m)

The Level skate park S106 works have been delayed following discussions of the revamp of the Level. The Bexhill Road skate park is being funded by a range of external bodies as well as our own funds and delays have occurred. Consultation and the design took longer than first anticipated which resulted in the scheme slipping into 2012/13. Construction of the site is now complete and public opening events are scheduled for 28th July at Bexhill Road Woodingdean

Communal Recycling Trial City Centre (£0.078m)

It is anticipated that the cost of the trial will be £0.122m of which there was initial expenditure of £0.044m in 2011/12. This will be funded through the PFI reserve from funds set aside for the implementation of the waste strategy. A bid for match-funding is under review by Interreg and a decision is expected in June 2012. If this bid is successful it will reduce the net cost to the PFI reserve.

Commissioner – Housing

Local Delivery Vehicle (LDV) (£0.310m)

The costs associated with this project are for the set-up costs of the Local Delivery Vehicle. Expenditure has been less than anticipated on the entire project. A review will take place in 2012/13 to see if this reprofile can be transferred in-to capital reserves.

Delivery Unit – Housing & Social Inclusion

HRA ICT Budget (£0.106m)

The IDOX (electronic document scanning and storage) project has been delayed further due to demands on ICT resources by other teams within the council; hence the delayed start date of the project from December 2011 to April 2012.

International Financial Reporting Standards (IFRS) Accounting Changes

International Financial Reporting Standards (IFRS) requires expenditure that does not enhance the building or asset to be charged to revenue. These adjustments are processed at the year end and budgets and actual spend are amended accordingly alongside any additional Direct Revenue Funding (DRF) contributions where necessary. For 'Place' there are changes of £0.088m for various social inclusion, housing and traffic schemes.

Energy Recovery Facility £48.475m

During 2011/12 the Energy Recovery Facility at Newhaven became operational. In accordance with IFRS accounting requirements, the 'fair value' of the asset must be included in the council's capital programme and the asset recognised in the council's balance sheet. The value of the asset is £48.475m. This is an accounting requirement only and does not impact on the council's capital resource position.

Underspends/overspends of over £50,000

Commissioner – City Regulation & Infrastructure

Falmer Infrastructure Works reprofile of £0.153m

In year overspend on Falmer Infrastructure Works.. A review of cost to be incurred during 2012/13 is currently being carried out and will be used to calculate the budget and spend profile.

All costs for this scheme are to be funded by Brighton and Hove Albion and will be at no cost to Brighton & Hove City Council.

Delivery Unit City Infrastructure

Gritter Vehicles (£0.101m)

Following a rigorous procurement process there is an underspend of £0.101m on this scheme. This is after £0.024m has been re-profiled into 2012/13 at month 9.

Delivery – Housing & Social Inclusion

Redevelopment of HRA vacant garage sites underspend of £(0.234m)

The underspend for Redevelopment of HRA vacant garage sites relates to the reprofile detailed earlier in the appendix.

Energy Efficiency £(0.222m)

The completion of open book audits and the rebasing of year 6 of the gas servicing and maintenance contracts has achieved efficiencies of £0.161m over the last year on the installations programme.

There is a small underspend of £0.061m upon completion of the Leach & Patching Boiler installation project.

Asbestos (£0.063m)

Due to the reactive nature of the asbestos capital programme, there were reduced requests for major asbestos removal in 2011/12. Additionally, the works that were requested were of lower costs than expected.

Disabled Adaptations £0.050m

Last year the Housing Adaptations Service completed 264 major adaptations; this year 317 have been ordered to date, including 'fast track' projects and Decent Homes works. There have also been 2 large projects completed this year totalling £0.135m.

The increase in Disabled Adaptations will be met from underspends in the HRA Capital programme that have already identified during 2011/12 through Budget Monitoring.

Underspends / overspends of under (£0.050m)

Commissioner – City Regulation & Infrastructure: A small overall overspend on various projects of £0.008m. Various schemes within the Delivery Unit – City Infrastructure have reported an overall underspend of £(0.047m). Various schemes within Delivery - Housing Social Inclusion are reporting an underspend of (£0.039m).

Previously reported underspends

The reasons for the Lanes & London Road Car park improvements (final outturn of £0.257m) and the HRA Water Tanks (final outturn of £0.790m) have already been notified to Cabinet in previous TBM reports.

Communities - Revenue Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Commissioner - Communities & Equalities	3,059	3,070	11	0.4%
0	Community Safety	2,146	2,125	(21)	-1.0%
0	Commissioner - Sports & Leisure	1,158	1,153	(5)	-0.4%
0	Commissioner – Culture	2,041	2,020	(21)	-1.0%
(25)	Delivery Unit - Tourism & Leisure	3,539	3,536	(3)	-0.1%
(25)	Total Revenue – Communities	11,943	11,904	(39)	-0.3%

Explanation of Key Variances

Commissioner – Communities & Equalities

The net overspend of £0.011m compares to a break-even position reported at month 9. This includes an underspend on grants offset by an overspend on equality and community cohesion initiatives with the community & voluntary sector.

Community Safety

The net underspend of £0.021m across Community Safety relates to vacancy management. This compares to a break-even position reported at month 9.

Commissioner – Sport & Leisure

This budget relates mainly to contractual payments and Council responsibilities for sports facilities. Contracts are monitored closely and although there are individual variances, the overall outturn is a small underspend of £0.005m compared to a break-even position reported at month 9.

Commissioner – Culture

The net underspend of £0.021m across the Commissioner for Culture services compares to a break-even position reported at month 9.

These budgets relate mainly to contractual payments, such as for the Brighton Festival, and offsetting variances have been managed within the overall resources.

Delivery Unit – Tourism & Leisure

The overall outturn for the Tourism and Leisure Delivery Unit is an underspend of £0.003m compared to a projected net underspend of £0.025m at month 9. This is made up of overspends of £0.168m for Venues (£0.017m overspend at month 9) and £0.019m for Tourism and Marketing (£0.014m overspend at month 9) which have been offset by

underspends of £0.133m Seafront and Sports Facilities (£0.063m underspend at month 9), and £0.057m Royal Pavilion and Museums (£0.007m overspend at month 9).

The Venues outturn position includes income shortfalls of £0.112m for the Hove Centre and an improved £0.038m for the Brighton Centre. These shortfalls were offset by savings elsewhere including on staffing, increased recharges of costs and changes to the Ticketmaster contract. The increase in the costs since month 9 is mainly due to a revenue contribution of £0.258m to the capital overspend on the works at the Brighton Centre as detailed in the capital section of this report.

The underspend at the Royal Pavilion and Museums is due to the significant overachievement of admissions income with visitor numbers being higher than projected. This has been partially offset by additional security costs and unachieved income in the Tea Rooms.

The improved position across the Seafront and Sports Facilities is again due to the overachievement of income including in respect of the Brighton Wheel, Volks Railway and seafront events.

Communities - Capital Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Commissioner - Sports & Leisure	177	177	0	0.0%
310	Delivery Unit - Tourism & Leisure	2,305	2,868	563	24.4%
310	Total Capital Communities	2,482	3,045	563	22.7%

Communities - Capital Budget Summary

Variations to Budget

Commissioner – Sports & Leisure

King Alfred – Health & Safety Works (£0.423m)

The initial programme timeline was challenging but it was envisaged that the works could be completed by the end of the financial year. However after procuring the contractor during the Christmas period there were delays to the programme for unforeseen problems with the flooring. When works commenced the contractors discovered issues with the existing base. Sections of tiling and screed had become loose and the entire area needed to be cleared back to the concrete base and then re-screeded. This in turn affected the drainage channels and drainage runs which caused more delays. The works have now been pushed back by the contractor from the original completion date in March to the end of April.

Delivery Unit – Tourism and Leisure

New Historical Records Office (The Keep) (£0.252m)

This is a joint project in partnership with East Sussex County Council and the University of Sussex. There has been good progress on construction works that began in October 2011 and practical completion is due by May 2013. Construction and development costs are forecast to be within the overall project budget and the Council element within the agreed capital contribution.

The budget is based on cash flow forecasts provided by East Sussex County Council and although the rate of progress is good, the spending pattern has been later than anticipated.

Reprofiles under (£0.050m)

Delivery Unit – Tourism and Leisure

A reprofile of Royal Pavilion Toilet Facilities (£0.030m) is required.

Slippage over £(0.050m)**Delivery Unit – Tourism and Leisure****Volks Railway shed (£0.245m)**

The estimated cost currently exceeds the allocated budget. The scheme is being redesigned to fit the budget and it is anticipated that work will be undertaken at the end of the summer season.

International Financial Reporting Standards (IFRS) Accounting Changes

International Financial Reporting Standards (IFRS) requires expenditure that does not enhance the building or asset to be charged to revenue. These adjustments are processed at the year end and budgets and actual spend are amended accordingly alongside any additional Direct Revenue Funding (DRF) contributions where necessary. For 'Communities' there are changes of (£0.144m) for various social inclusion, housing and traffic schemes.

Museums Acquisitions (Heritage) £0.219m

Heritage assets are now separated out from other assets in the Statement of Accounts following adoption of the Financial Reporting Standard 30 in 2011/12. Heritage Assets are held principally for their contribution to knowledge or culture and in 2011/12 museums acquired a significant Turner painting from auction which is required to be added to the capital programme. This is an accounting change that does not impact on capital resources.

Overspends**Delivery – Tourism & Leisure****Brighton Centre Façade £0.565m**

There are four key reasons for the increase in capital expenditure which are as follows: Firstly the initial cost estimates undervalued the actual work. More recent estimates completed as part of ongoing major project work on the Brighton Centre estimated these works at nearly double the original value. Secondly there were additional items and variations that could not be anticipated including unforeseen excavation works and concreting costs. Thirdly there were additional direct costs incurred as a result of delays caused by the contractors, which included additional scaffold costs for example. Finally, there were additional indirect costs incurred as a result of delays which were required to avoid event cancellation and which included 24 hour working by contractors and the erection of temporary structures.

Although the project is visibly complete, not all aspects are complete to our satisfaction and a number of issues are as yet to be resolved. It is for these reasons that it is not currently possible to say whether the final costs of the project will come down as legal considerations and contractual obligations are still being considered.

Discussions are still ongoing with the contractor regarding final contract sums. In the interim, £0.307m of the additional costs has been funded from the Brighton Centre Reserve and £0.258m has been funded by a revenue contribution from the Tourism and Leisure Delivery Unit. As soon as the work is complete to the client's satisfaction and all

legal positions have been considered it is possible that the capital position may improve. Future bookings have improved significantly on the back of the work which will sustain not only the city's economy but improve the revenue position for the Centre going forward.

Underspends / overspends of under (£0.050m)

Various schemes within Delivery – Tourism and Leisure underspent by (£0.002)m overall.

Resources & Finance - Revenue Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(273)	Delivery Unit – City Services	12,966	12,469	(497)	-3.8%
(355)	Housing Benefit Subsidy	(738)	(1,289)	(551)	-74.7%
357	Resources	18,349	18,317	(32)	-0.2%
(125)	Finance	6,391	6,143	(248)	-3.9%
0	Strategic Leadership Board	1,140	1,098	(42)	-3.7%
(396)	Total Revenue – Resources & Finance	38,108	36,738	(1,370)	-3.6%

Explanation of Key Variances

Delivery Unit – City Services

The City Services underspend is £0.497m which is an improvement of £0.224m since month 9

The improvement is due to increased income collection and staff vacancies within the Revenues and Benefits team in line with planning for the change in grant funding and the overachievement of land charges and other earned income.

The underspend is offset by a provision in Library Services of £0.114m against potential redundancy and severance costs associated with the delivery of planned savings in 2012/13.

Housing Benefit Subsidy

The corporate critical Housing Benefit budget has generated an additional £0.551m in subsidy, as local authority errors were held below the government threshold and therefore attracted additional subsidy. This has improved by £0.196m from month 9 largely due to more overpayments being recovered than anticipated.

Resources

The net underspend across Resources is £0.032m, of which the main variances are on the following areas: -

Human Resources (£0.111m overspend)

The overspend is £0.111m, representing an improvement of £0.149m from Month 9. The overspend is mainly as a result of the significant budget pressures in the People Centre. Human Resources have worked hard to improve the position in advance of the review of systems and services in 2012/13.

Communications (£0.057m overspend)

The overspend of £0.057m for 2011/12 is unchanged from Month 9 and represents a significant improvement in the 2010/11 overspend of £0.459m. This significant improvement is largely a result of the consolidation of communications activities now coming to fruition as originally set out in the Communications Value for Money programme.

The consolidation process has brought about greater economies of scale across communications e.g. greater management of demand, more efficient procurement and revenue

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

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

Property & Design (£0.178m underspend)

The underspend of £0.178m, represents an improvement of £0.231m from Month 9. NNDR Business Rate refunds for Priory house £0.094m and Bartholomew House £0.056m were approved by the valuation office in the last few weeks of the financial year. This and increases in professional fees and fortuitous rental income of £0.048m has resulted in the underspend reported.

Policy, Performance & Analysis (£0.048m overspend)

There was an overspend of £0.048m mainly relating to partnership working.

ICT

The outturn is a small overspend of £0.061m.

Legal & Democratic Services

The outturn is an under spend of £0.131m. The improvement of £0.095m from Month 9 is a combination of greater than anticipated income generation, primarily from increased recovery of court costs, one-off income from property and planning related transactions coupled with savings resulting from delaying recruitment to vacant posts.

Finance

The outturn is an underspend of £0.248m.

Internal Audit & Business Risk were previously reporting an underspend of £0.062m primarily due to staffing vacancies, which has increased by a further £0.018m at year-end. The Financial Services underspend of £0.154m has increased by £0.091m since Month 9 due to continuing vacancy management in support of a service restructure to meet 2012/13 savings requirements together with lower than anticipated bank and security carrier charges. There was also increased contract income in the latter part of the year for additional services to the Schools Forum and for interim Financial Support Services provided to South Downs National Park Authority.

Strategic Leadership Board

The outturn is an underspend of £0.042m.

Resources & Finance - Capital Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
0	Delivery Unit - City Services	107	116	9	8.4%
-150	Resources	3,946	4,020	74	1.9%
0	Finance	51	51	0	0.0%
-150	Total Capital Resources & Finance	4,104	4,187	83	2.0%

Resources & Finance - Capital Budget Summary**Critical Budget – Accommodation Strategy (reprofile of £0.093m)**

Phase One of the Accommodation Strategy (Workstyles), which involved the vacation of Priory House and creation of the new Customer Service Centre and refurbishment of three floors of Bartholomew House had a total budget of £3.720m which was funded from a combination of borrowing and Asset Management Fund.

The project included building works, staff moves, decants, furniture, ICT and telephony and was completed £0.093m under budget. This underspend will be used in Phase Two of Workstyles in the 2012/13 financial year.

Variations**Finance – Financial Services****Replacement of FIS System (£0.139m)**

Work associated with the implementation of new features and processes surrounding the Financial System continued through 2011/12. However a number of these projects were prolonged due to complex testing requirements and working with ICT colleagues and the supplier to determine and resolve the most efficient processing solutions. Testing has been successfully concluded and the projects are now near completion. However, this has meant delays to some payments into early 2012/13.

Delivery – City Services**Replacement of Coroner's Vehicle (£0.050m)**

There have been delays in the specification being prepared and it is now anticipated that the purchase will be completed by the end of the first quarter of 2012/13, based on the manufacturers timescale for delivery of up to 12 weeks.

Resources – Property**Madeira Lift Re-roofing (£0.091m)**

Works are in progress on site but the start was delayed in January when the main contractor's specialist copper sub-contractor withdrew from the contract.

Variations under £0.050m

Minor reprofiles are requested for the following Resources projects:

- Human Resources: HR System (£0.018m),
- ICT: Information Management (£0.049m), Communications (£0.046m) and VfM Workstyles (£0.046m),
- Policy, Performance & Analysis: Interplan development (£0.010m),
- Property & Design: Portslade Town Hall (£0.046m). Brighton Town Hall Fire Evacuation Lift (£0.039m), King's House Accommodation (£0.029m), Statutory DDA works (£0.015m), HTH Flat roof works (£0.006m) Corporate fire Assessments (£0.006m),
- Delivery Unit - City Services: Replacement of library booking system of £(0.024m).

International Financial Reporting Standards (IFRS) Accounting Changes

International Financial Reporting Standards (IFRS) requires expenditure that does not enhance the building or asset to be charged to revenue. These adjustments are processed at the year end and budgets and actual spend are amended accordingly alongside any additional Direct Revenue Funding (DRF) contributions where necessary. For 'Resources' there are changes of (£0.491m) for various social inclusion, housing and traffic schemes.

Overspends under £0.050m

Various projects within the Delivery Unit – City Services and Resources areas had small overspends totalling £0.083m which were all funded by Direct Revenue Funding.

Corporate Budgets - Revenue Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
100	Bulk Insurance Premia	2,678	2,920	242	9.0%
(380)	Concessionary Fares	9,660	9,252	(408)	-4.2%
155	Capital Financing Costs	5,149	5,354	205	4.0%
0	Levies & Precepts	166	167	1	0.6%
1,422	Corporate VfM Savings	(2,463)	0	2,463	100.0%
(1,746)	Risk Provisions	1,125	0	(1,125)	-100.0%
28	Other Corporate Items	(30,608)	(29,470)	1,138	3.7%
(421)	Total Revenue - Corporate Budgets	(14,293)	(11,777)	2,516	17.6%

Explanation of Key Variances

Bulk Insurance Premia

This area now shows an overspend of £0.242m compared to a forecast underspend of £0.100m at Month 9. The reason for this change is that a contribution of £0.354m was made to the Insurance Fund as part of year end accounting processes. This was because there is a potential increased liability depending on the outcome of some legal cases nationally in relation to asbestos.

Concessionary Fares

The provisional outturn is an underspend of £0.408m. This mainly relates to fixed deal agreements with Brighton & Hove Bus & Coach Company and Stagecoach South, agreed by Cabinet on 9th June, being lower than the budget provision. The underspend has increased by £0.028m since Month 9 due to final journey numbers being lower than anticipated.

Capital Financing Costs

The overall overspend is £0.205m. This is due mainly to a lower than projected recharge to the Housing Revenue Account for interest on borrowings. HRA borrowing in 2010/11 was £6.000m lower than projected and coupled with short-term interest rates remaining lower than projected at the time of agreeing the 2011/12 budget, has resulted in a reduction in the recharge. The overspend has increased by £0.050m since Month 9 due to a further reduction in the level of HRA borrowing.

Levies & Precepts

The provisional outturn is an overspend of £0.001m.

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 had been identified and achieved in 2011/12, the Corporate VfM Projects savings target above would have reduced to zero by the end of

the financial year. At outturn, monitoring of VfM projects indicates that approximately £1.463m of corporately held VFM project savings (against a target of £3.289m) were not achieved or are still to be identified in 2012/13 as follows:

- The implementation of other initiatives including Workstyles, Customer Service changes (mainly on-line developments) and many other service changes (e.g. some emanating from other Value for Money projects) meant that the capacity to undertake Systems Thinking reviews at the same time was severely hampered in 2011/12. These reviews will now commence in 2012/13, starting in Human Resources, and rather than having a direct cash saving target, will instead be used to 'enable' services to deliver efficiency and other related savings in 2012/13, 2013/14 and beyond.
- 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 has been achieved against a target of £1.750m in 2011/12. However, services have taken other one-off recovery measures to completely offset this shortfall in 2011/12. More important is the full-year saving impact in 2012/13 which currently indicates that substantial savings of £3.086m against the target of £3.500m have been identified. Services with further savings to make will either achieve this through further service redesign or through identified financial recovery measures.
- A series of Carbon Reduction initiatives were considered and are still being pursued in some cases to reduce future energy cost pressures as prices increase. However, as previously reported, government changes to various schemes, primarily the Feed-in Tariff scheme, meant that schemes could not proceed given the high financial risks and that potential savings would not therefore materialise in 2011/12. The focus of the programme is now on reducing future energy usage and the council's carbon footprint. This links strongly to the Workstyles project and the reduction in accommodation use associated with that initiative.
- The Procurement project previously identified an increased risk resulting partly from a reduction in overall procurement activity in corporate areas due to spending constraints which reduced potential savings opportunities compared with previous years. £0.355m remains unidentified this year against corporate contract areas, however, offsetting additional procurement savings of £0.277m have been facilitated across front-line service areas which are reflected in the overall TBM position at outturn. Proposals for addressing the remaining shortfall are currently being drawn up for delivery in 2012/13.

The overspend against Corporate VfM savings includes a contribution of £1m to the Customer Access and Accommodation (Workstyles) reserve to support the transfer to the new Wide Area Network as outlined in the report to Cabinet on the 14th July 2011 which set out that funding was required to be identified for this commitment.

Risk Provisions

The overall position on Risk Provisions is an underspend of £1.125m compared to an underspend of £1.746m at Month 9. This movement of £0.621m is largely the result of contributions made to reserves of £0.350m for capital financing costs as a result of the changing profile of debt between the General Fund and HRA, £0.250m for single status costs (funded from the saving through strike pay deductions) and £0.100m for Criminal Records Bureau (CRB) check costs which were committed on a rolling basis following the Ofsted inspection in 2011/12.

There were one-off risk provisions of £0.800m and these were fully spent. Of this, the major allocations were £0.280m for costs associated with Microsoft licence requirements following an audit and £0.152m for additional costs of the Carbon Reduction Commitment (CRC) scheme implementation. Further allocations were used to fund preparatory works at the Prince Regent and Withdean Sports Complex schemes (£0.108m), the Playbuilder capital scheme following a shortfall of S106 funding (£0.098m) and costs associated with immediate CRB compliance (£0.089m).

There was a permanent risk provision of £0.750m relating to grants ending and this was not required in 2011/12. It was therefore released to support the overall position.

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

In addition, there was £0.400m of one-off risk provision for Children's and Adults services which was not required and was transferred to general reserves.

An underspend of £0.349m (an increase of £0.049m) has been achieved on the financing costs for the new Historic Records Centre. The budget projections assumed the majority of the capital funding would be needed in 2011/12 and as this expenditure is funded from borrowing the financing costs were set aside in contingency. It has now been confirmed that capital payments will not be made this year and no financing costs will be incurred.

There is an underspend of £0.101m on general contingency which is an increase of £0.030m since Month 9. The majority of the contingency underspend is as a result of unrequired grant pressure funding of £0.075m being identified.

Other Corporate Items

There is an overspend of £1.138m which is an increase of £1.110m compared to month 9.

Of this, £0.275m relates to actuarial costs for staff transferring under the sports and leisure contracts and £0.865m relates to dilapidations.

A number of increased or new dilapidation estimates have been received in relation to leased properties that the council is planning to vacate to reduce annual costs, reduce carbon footprint and support the Workstyles VfM projects to improve office productivity (through technology), increase flexible working arrangements and utilise space more efficiently.

Dilapidations relate to the costs of repairing or returning leased properties back to an agreed condition in accordance with the terms of the lease. For accounting purposes, under current financial reporting standards, these costs must be recognised when the financial liability is both known and can be reasonably estimated. Increased provisions are required for the following leased properties:

Priory House (Workstyles Phase 1)

A provision of £0.600m has already been set aside, however, latest estimates from the landlord are £0.850m together with costs/fees of circa £0.050m. This is still subject to

negotiation and settlement and final costs may be reduced. At this time, it is therefore recommended to increase the provision by £0.200m to give a total of £0.800m.

Workstyles Phase 2

A number of leased properties are being vacated as part of the workstyles phase 2 VFM project. Dilapidations estimates for Hove Park Mansions (£0.085m), Havesham House South and North (£0.088m) and Ovest House (£0.337m) need to be recognised in the accounts.

Denmark Villas

This building is expected to be vacated for future workstyles phases and the lease is expected to end in September 2014 with potential dilapidations costs of £0.155m. Since this liability can reasonably be estimated now, financial reporting standards require that this provision be recognised.

A total increase in dilapidations provisions of £0.865m is therefore needed to cover current and future liabilities.

NHS Trust Managed S75 Budgets - Revenue Budget Summary

Forecast Variance Month 9 £'000	Unit	2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
(137)	NHS Trust managed S75 Services	14,168	13,629	(539)	-3.8%
(137)	Total Revenue - S75	14,168	13,629	(539)	-3.8%

Explanation of Key Variances

(Note WTE = Whole Time Equivalent)

S75 NHS Trust Managed Budget (£0.539m underspend)

NHS Trust managed budgets show an underspend of £0.539m, as detailed below. This results in the council contribution to these arrangements being reduced and being available for general reserves.

The underspend of £0.289m against Sussex Partnership NHS Foundation Trust (SPFT), represents 50% of the total underspend (£0.578m) against the pooled budget. The remaining 50% has been paid to SPFT in accordance with the agreed risk-share arrangements for this partnership and to reflect the positive action to manage the pressures across the Community Care budget for Mental Health services.

The financial recovery plan shows total savings of £1.212m have been delivered during the year. The savings against Community Care of £0.705m relate mainly to holding provider fees at previous levels and increased levels of Continuing Health Care funding. Mainstream services show savings of £0.507m from staff savings through vacancy management, a review of social care input into Access Services and the decommissioning of the enhanced element of the Integrated Community & Advice Support Team (EICAST).

Sussex Community NHS Trust are reporting an underspend of £0.248m, which is an improvement of £0.178m from Month 9. Positive action has been taken to both reduce costs within Intermediate Care and reduce spend on equipment within ICES. The provisional outturn shows staffing pressures within Intermediate Care service (£0.012m) and savings against the ICES budget of £0.085m. The overall position has been further improved by savings of £0.175m against the HIV budget, where client numbers are less than budgeted (£0.078m saving) together with commissioning and staffing budget underspends of £0.098m.

Housing Revenue Account - Revenue Budget Summary

Forecast Variance Month 9 £'000		2011/12 Budget Month 12 £'000	Provisional Outturn Month 12 £'000	Provisional Variance Month 12 £'000	Provisional Variance Month 12 %
	Housing Revenue Account				
(463)	Employees	9,187	8,615	(572)	-6.2%
(308)	Premises – Repair	11,031	10,493	(538)	-4.9%
45	Premises – Other	3,350	3,330	(20)	-0.6%
(184)	Transport & Supplies	2,022	1,553	(469)	-23.2%
(9)	Support Services	2,210	2,143	(67)	-3.0%
3	Third Party Payments	54	77	23	42.6%
-	Revenue contribution to capital	3,498	3,498	-	0.0%
(123)	Capital Financing Costs	4,268	4,039	(229)	-5.4%
14	Subsidy Payable	14,710	14,430	(280)	-1.9%
(1,025)	Net Expenditure	50,330	48,178	(2,152)	-4.3%
37	Dwelling Rents (net)	(44,213)	(44,130)	83	0.2%
35	Other rent	(1,240)	(1,208)	32	2.6%
52	Service Charges	(3,354)	(3,353)	1	0.0%
(19)	Supporting People	(465)	(483)	(18)	-3.9%
31	Other recharges & interest	(1,058)	(1,023)	35	3.3%
136	Net Income	(50,330)	(50,197)	133	0.3%
(889)	Total	-	(2,019)	(2,019)	

Explanation of Key Variances

The Provisional Outturn for 2011/12 is an underspend of £2.019m compared to an underspend of £0.889m reported at month 9. This is in line with the commissioning framework for the Housing Revenue Account and the cost reduction strategy which aims to reduce costs to enable reinvestment in services which tackle inequality and improve homes and neighbourhoods. This is being addressed in the budget strategy for 2012/13 which includes the commissioning of new services to promote financial inclusion as well as the use of reserves to build new social housing on old garage sites.

Analysis of the provisional outturn variances are as follows:

- The employees budget underspend has increased from £0.463m at month 9 to £0.572m of which £0.227m is in relation to TUPE costs for Property & Investment staff. TUPE costs were included in the 2011/12 HRA budget but then not required as the actual costs were lower than anticipated and therefore fully paid in the last financial year. There are further underspends on vacancies and pensions costs throughout Housing Management due to the pending restructure of Housing and Social Inclusion and also underspending of £0.086m in Housing Strategy.

- The Premises Repairs budget has underspent by £0.538m compared to a projected underspend of £0.308m reported at month 9. The underspend includes the following significant variances:
 - A saving on the gas servicing and maintenance contract of £0.327m as a result of the rebasing of the open book contract value following the achievement of savings during the last financial year. This underspend has increased since month 9 by £0.111m following the completion of the gas open book audit which resulted in further savings being achieved.
 - A reduction in the overhead costs for the Repairs Partnership contract of £0.059m as a result of efficiencies in the contract.
 - An underspend on the costs of repairs to empty properties by £0.207m due to a reduction in the number of routine empty properties coming through the lettings cycle since the commencement of Brighton Seaside Homes. The on-going reduction in this expenditure is reflected in the 2012/13 budget.
 - An overspend of £0.052m for responsive repairs. This has reduced since the month 9 forecast of £0.123m due to the continued reduction in the average unit cost of repairs and mild weather up to March 2012.
- The Premises-other budget has underspent by £0.020m compared to an overspend of £0.045m forecast at month 9. This includes the following significant variances:
 - An overspend on insurance costs of £0.304m. A recent review by the Council's insurance team identified a new recharge to the HRA of £0.329m in relation to the costs of repairing homes damaged by fire, flood etc. below the insurance excess of £25k. This recharge relates to costs borne over the last three years which were in excess of the budget. Provision of £0.120m has been made for the additional on-going costs in the 2012/13 budget strategy.
 - An underspend of £0.255m in relation to the accruals for gas and electricity. Prudent accruals were made in the last financial year due to billing problems with the supplier at that time. These are no longer required under the new contractual arrangements.
 - An underspend of £0.053m on the rental cost and business rates of the Housing Centre due to it opening later than anticipated at budget setting time.
- The Transport & Supplies underspend has increased by £0.284m to £0.469m and relates to the following variances:
 - An underspend of £0.135m (£0.100m reported at month 9) in the contribution towards the provision for bad debt. This has resulted from an improvement in the collection of rent during 2011/12 which has led in turn to a reduction in the rent arrears total, year on year. There are early indications that arrears may increase over the coming months due to

the current economic climate and benefit changes so this will be closely monitored for 2012/13.

- An underspend on professional and consultancy fees within property and investment of £0.123m (£0.084m reported at month 9). These costs were anticipated at budget setting for the procurement of the new service contracts. Work on some of these contracts has been carried out in-house and some contracts will now be let during 2012/13.
 - An underspend of £0.055m in the costs associated with the transfer incentive scheme due to a reduced level of take-up to that anticipated at budget setting time. This is in large part due to the Sheltered Local Letting plan where priority for sheltered units is given to current tenants already in sheltered accommodation therefore leaving the less popular units for those tenants wanting to transfer from family size homes into sheltered accommodation.
 - An underspend on legal fees relating to leaseholders disputes of £0.038m.
 - Further underspends of £0.108m have arisen relating to professional fees, and efficiencies achieved from the consolidation of stationery and general office expenses budgets and staff embracing the cost reduction culture.
- Capital Financing costs have underspent by £0.229m compared to an underspend of £0.123m reported at month 9. The increased underspend is due to reduced costs of borrowing as a result of some capital projects being delayed (re-profiled) until the following financial year.
 - The amount of subsidy payable to the Government is underspent by £0.280 compared to an overspend of 0.014m reported at month 9. This is mainly due to an increase in the subsidy allowance for capital financing costs by the Government as a result of an increase in the consolidated rate of interest by 0.17% since the last forecast.
 - Income is less than budgeted by £0.133m due to a number of minor variances including:
 - Reduced rental income (£0.083) as a result of properties transferring or awaiting transfer to Seaside Community Homes;
 - Reduced rental income from garages and car parks (£0.035m) due to an increase in the level of empty garages/spaces in the current economic downturn. £0.018m relates to a reduction in income from St. James Street Car Park due to the closures for maintenance works this year.

Carry Forward Requests 2011/12

Strategic Budget Area	Delivery Unit	Service Area	Reason	Amount £'000
Non-Grant Areas:				
People	Delivery - Children & Families	Sure Start	Project funding for functional family therapist set aside to clear the backlog of casework as recommended by OFSTED.	65
People	Delivery - Children & Families	Education Psychology Service	One-off bursary payment to Southampton University and the Tavistock Institute to secure two trainee educational psychologist posts for the next two years. These trainees will be placed with BHCC and undertake case work and research. They will not be BHCC employees and will not create an ongoing commitment.	62
People	Delivery - Children & Families	Disability	Project funding committed to the individual budgets pilot.	50
People	Delivery - Children & Families	Sure Start	Minor building repair work in progress at year end	35
People	Commissioner - Learning & Partnership	Foundation Learning	Project funding committed to 14-19 learning programmes and for a Social Enterprise led Pre-Employment Programme Pilot.	58
People	Commissioner - Learning & Partnership	Education Business Partners	Project funding covers academic not financial years	21
People	Commissioner - Learning & Partnership	BESD (Behavioural, Emotional & Social Difficulties) Partnership	Project funding covers academic not financial years	6
Place	Delivery - City Regulation & infrastructure	Parking Services	Resources set aside to finance agreed capital works to Regency Square Car Park	292
Place	Delivery - City Regulation & infrastructure	City Clean	Contribution to City Clean Vehicle replacement Programme	174
Place	Delivery - City Regulation & infrastructure	City Parks	Contribution to City Parks Vehicle replacement Programme	53
Place	Delivery - Planning & Public Protection	Planning Projects	Project funding for the commission of an energy study	16
Place	Commissioner - Housing	Housing Options	Locata Homeless/ Options IT upgrade/ Abrisas rent account system. Budget was identified for this system and a carry forward is requested as the contract is close to being finalised.	55

Strategic Budget Area	Delivery Unit	Service Area	Reason	Amount £'000
Place	Commissioner - Housing	Private Sector Housing	Legal Fees - a £30k carry forward is requested to meet identified legal costs for the potential public enquiry relating to Chester Terrace Compulsory Purchase Order which is expected in May 2012.	30
Communities	Commissioner - Communities & Equalities	Community Development	Advice Partnership allocation (Financial Inclusion) - Carry forward is requested to support the Financial Inclusion initiatives reported to Cabinet on 15th March 2012.	350
Communities	Community Safety	Prevent Violent Extremism	Unspent funding for various Prevent projects. This funding is required to be carried forward.	130
Communities	Commissioner - Culture	Arts Programme Budgets	Various funding bodies such as Arts Council, South East England Development Agency (SEEDA), Section 106, Creative Partnerships. Some funding has not been spent this year due to festivals being held later in the year, delays in legal negotiations, some projects being linked to activity of Brighton & Hove Arts commission, agreed timetables with funders for 2012, and some funding linked to the delivery of projects rather than the financial year. Carry forward of this funding is required.	77
Resources	Delivery - City Services	Revenues & Benefits	Balance of one off funding required to expand the number of one off projects to help services automate transactions and enable savings through channel shift now. The key projects are for Telephony (Interactive Voice Response (IVR)) and the Website content management system (CMS) to improve functionality and sustainability. Carry forward is requested to enable continuation of projects.	120
Resources	Resources - Human Resources	Human Resources	£10k carry forward to enable ICT to complete backlog of IDOX (electronic document scanning and indexing) work.	10
Resources	Resources - Human Resources	Human Resources	3 year Criminal Records Bureau (CRB) check funding, year 2 of 3. This relates to the cost of undertaking CRB rechecks over a three year period. Finance is requested to be carried forward to meet recheck charges.	50

Strategic Budget Area	Delivery Unit	Service Area	Reason	Amount £'000
Resources	Resources - Property & Design	Property & Design	Planned maintenance Budget (PMB) Project for phase 1 of refurbishment of Preston Manor. This is an Improvement & Efficiency South East (IESE) framework project with phase 1 estimated at £123,000 across various PMB revenue budgets. An order was placed in February after delays in agreeing the value for money statement and cold / wet weather meaning works will span into 2012/13. Funding has been provisionally allocated for phase 2 in 2012/13.	65
Resources	Resources - Property & Design	Property & Design	A PMB contribution to the project at the King Alfred Leisure Centre to replace the wireless fire alarm system with a new hard-wired system was planned but not yet implemented.	40
Resources	Resources - Property & Design	Property & Design	PMB Hove Library Rooflights. This is an Improvement & Efficiency South East (IESE) framework project of £55k. The lead-in time for the manufacture of the rooflights is longer than anticipated & the project was only about half completed by the end of March 2012. Carry forward is requested to complete the project.	30
Resources	Resources - Property & Design	Property & Design	The underspend is a result of a mismatch between academic and financial years. The largest part being committed to an environmental education contract which is running from November to October. Carry forward is requested.	32
Resources	Resources - Property & Design	Property & Design	Planned Maintenance Budget project for replacement guttering to the grade 2 listed Old Courthouse. Despite an order being placed in January the contractor was unable to secure materials to start work in 2011/12. Carry forward is requested to enable completion.	20
Total Non Grant Areas				1,841

Grant areas

Strategic Budget Area	Delivery Unit	Service Area	Reason	Amount £'000
All	All	Grant Funding	Under current financial reporting standards, grants received by the Council that are unringfenced or do not have any conditions attached are now recognised as income in the financial year they are received rather than when they are used to support services. Prior to 2011/12 these unspent grants would have automatically rolled into the next financial year to fund the commitments against them but now they need to be agreed as part of the carry forward requests.	2,433
People	Commissioner - Learning & Partnership	Dedicated Schools Grant (DSG)	Under the Schools Finance Regulations the unspent part of the DSG (Dedicated Schools Grant) must be carried forward to support the Schools Budget in future years.	1,168
Place	Delivery - City Regulation & infrastructure	City clean	Matched funding required for purchase of vehicles relating to Food Waste trial supported by an Interreg funding bid.	160
Total Grant Areas				3,761
Total Carry Forward Requests				5,602

Items requiring specific member approval for funding in 2012/13:

Strategic Budget Area	Delivery Unit	Service Area	Details	Amount £'000
People	Delivery - Children & Families	Sure Start	ToyBox Preschool has a funding shortfall of £34.5K for the year 2012/13. Without the funding the service will have to close at the end of April 2012 and therefore will not be able to offer essential preschool childcare to women who are accessing BWC/Inspire services. Over the last year, there has been an increase in women offenders with children coming through to us and aim to prevent the likelihood of children being taken into care as a result of their mother's offending behaviour. It is proposed that the council fund this shortfall in 2012/13 and works with the Preschool to apply for other sources of funding including the disadvantaged two year old scheme.	35

Strategic Budget Area	Delivery Unit	Service Area	Reason	Amount £'000
People	Delivery - Children & Families	Sure Start	This is an ongoing budget pressure for the Play Bus. Funding is needed in order to ensure that service provision is available in 2012/13 and a permanent funding solution will need to be identified in the 2013/14 budget.	92
Place	Commissioner - City Regulation & infrastructure	Transport	The Medium Term Financial Strategy identifies resources required for the City Plan for 2013/14. However certain transport elements need resourcing in 2012/13 and funding is needed to meet that.	85
Communities	Delivery - Tourism & Leisure		The unprecedented number of events planned in the summer weeks in the city is requires additional staff capacity to manage and a contingency for risk management initiatives.	50
Resources	Resources - ICT		Specialist consultancy and legal resources are required in order to submit a deliverable bid to Government for Ultra-fast broadband for the city which could leverage in £5m investment and provide competitive advantage. The largest element of the spend would be set aside to ensure compliance with highly complex State Aid rules.	150
Resources	Resources - Policy, Performance & analysis	Sustainability	Resources to deliver specific projects and activities to support our Corporate Plan's ongoing commitment to one planet living work. This will include an allocation to conduct detailed energy audits of key buildings and investment in measures to reduce water leakages both of which should contribute to future revenue savings.	250
				662

Value for Money Programme 2011/12:

Benefits Realisation – Provisional Outturn

Projects	Target £m	Achieved £m	Uncertain £m	Achieved %
VfM Phase 2 Projects				
Adult Social Care	1.801	1.801	0.000	100.0%
Children's Services	2.019	3.284	0.000	162.7%
ICT	0.218	0.218	0.000	100.0%
Procurement	0.789	0.434	0.355	55.0%
Fleet Management	0.150	0.150	0.000	100.0%
Sustainable Transport	0.115	0.115	0.000	100.0%
Outdoor Events	0.060	0.035	0.025	58.3%
Workstyles	0.100	0.100	0.000	100.0%
Total VfM Phase 2	5.252	6.137	0.380	116.9%
VfM Phase 3 Projects	Target £m	Achieved £m	Uncertain £m	
Process Efficiencies	0.250	0.000	0.250	0.0%
Management Structures	1.150	0.794	0.356	69.0%
Admin & Business Support	0.600	0.349	0.251	58.1%
Consolidation of Spend	0.250	0.250	0.000	100.0%
Carbon Reduction Initiatives	0.250	0.000	0.250	0.0%
Total VfM Phase 3	2.500	1.392	1.108	55.7%
Total All VfM Projects	7.752	7.529	1.488	97.1%

Subject:	Statement of Accounts 2011/12		
Date of Meeting:	26 June 2012		
Report of:	Director of Finance		
Contact Officer:	Name:	Jane Strudwick	Tel: 29-1255
	E-mail:	jane.strudwick@brighton-hove.gov.uk	
Wards Affected:	All		

FOR GENERAL RELEASE/ EXEMPTIONS

1 SUMMARY AND POLICY CONTEXT

- 1.1 Under the Accounts and Audit Regulations 2011, the council's Statement of Accounts are to be approved by the Chief Finance Officer by 30 June and following the audit process are to be approved by Members by 30 September each year. Under Brighton & Hove City Council's constitution, the Audit and Standards Committee is charged with this responsibility.
- 1.2 Accordingly, this report presents the unaudited Statement of Accounts for 2011/12 for information purposes only. Copies of the Statement of Accounts are distributed to each member of the Audit and Standards Committee. At this stage, the accounts have not been audited by the external auditor. It is expected that the external auditor will present an Annual Governance Report to the September meeting of this committee on the conclusion of the audit of the 2011/12 financial statements. An accompanying officer report will be presented to that meeting, to enable Members to consider and approve the statement of accounts.

2 RECOMMENDATIONS:

- 2.1 That the Audit and Standards Committee note the Statement of Accounts for 2011/12 and note that these are subject to audit.

3 RELEVANT BACKGROUND INFORMATION

- 3.1 The main legislative requirements relating to the preparation, publication and audit of the council's accounts are contained in the Audit Commission Act 1998 and the Accounts and Audit Regulations 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 approved by the Chief Finance Officer by 30 June and considered by a committee or Full Council, and approved by a resolution of that committee or meeting by 30 September. The accounts must be published and signed off by the external auditor as

soon as reasonably possible after conclusion of the audit and by 30 September.

4 FORMAT OF THE ACCOUNTS

- 4.1 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 2011/12 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and cover the period 1 April 2011 to 31 March 2012.
- 4.2 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 accounting policies.
- 4.3 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.
- 4.4 The Single Entity core financial statements included within the Statement of Accounts comprise the following:-
- Movements in Reserves Statement
 - Comprehensive Income and Expenditure Statement
 - Balance Sheet
 - Cash Flow Statement
 - Notes to the Financial Statements
 - Accounting Policies
- 4.5 The supplementary statements comprise the following:-
- Housing Revenue Account
 - Collection Fund Account

5 KEY CHANGES IN THE 2011/12 FINANCIAL STATEMENTS

5.1 Heritage Assets

- 5.1.1 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.
- 5.1.2 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.

5.1.3 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).

5.1.4 The council has identified that assets to the value of £7.055m 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 £177.721m thereby increasing the asset value of non current assets as at 1 April 2010 by £170.666m.

5.1.5 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 £182.301m. Note 17 to the financial statements and the significant changes in accounting policy section of the explanatory foreword includes more detail.

5.2 Carbon Reduction Commitment (CRC) Scheme

5.2.1 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.

5.2.2 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.

5.2.3 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.

5.2.4 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.

5.2.5 Note 43 to the financial statements includes more detail.

5.3 Exit Packages

- 5.3.1 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.
- 5.3.2 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).
- 5.3.3 The council has disclosed £1.695m of exit packages in 2011/12. Note 31 to the financial statements includes more detail.

5.4 HRA Self Financing

- 5.4.1 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.

6 HOUSING LOCAL DELIVERY VEHICLE (LDV)

- 6.1 On 23 September 2011 the council finalised an agreement to lease 499 vacant HRA properties to Brighton & Hove Seaside Community Homes Limited ("Seaside Homes Ltd") over a five year period. In the period to 31 March 2012 a total of 150 properties had been leased.
- 6.2 A review of the leases has been undertaken in accordance with the qualitative test required under the Code and, based on the property portfolio of all 499 properties, the council has assessed the leases as finance leases. The council has written out the assets (i.e. properties) from its Balance Sheet in the year of lease and has accounted for the lease premium received from Seaside Homes Ltd as a capital receipt.
- 6.3 In 2011/12, the write out of the 150 leased properties has been treated as asset disposals in the council's financial statements. The carrying value on the council's Balance Sheet as at 31 March 2011 for the 150 transferred properties was £10.038m; this valuation was provided by the council's external valuers based on Existing Use Value. The capital receipt received by the council in respect of the transferred assets was £6.462m and is held in the Capital Receipts Reserve on the Balance Sheet. This was based on a best consideration (i.e. market value) valuation prepared by external property advisors and takes account of the full portfolio of 499 properties. The difference between the carrying valuation and the capital receipt is included in the council's Comprehensive Income and Expenditure Account. A further sum of £2.058m is due to the council when certain works to the transferred properties are completed.
- 6.4 The council has included a contingent liability in respect of Brighton & Hove Seaside Community Homes Ltd. The liability has arisen from an indemnity provided by the council to the organisation's funder whereby the rental income

received by the organisation from its tenants equals, as a minimum, the projected income set out in the organisation's approved business plan. The council is not able to determine the probability of the indemnity being called upon in the long-term as the level of future rental income is dependent upon factors outside the council's control. However, on the basis of current rent levels the council has considered the probability of the indemnity being called upon within the next twelve months as being very low.

Group Accounts Implications

- 6.5 A review of the relationship between the council and Seaside Homes Ltd has been undertaken to determine the need for group accounts within the council's Statement of Accounts.
- 6.6 The council has reviewed the relationship based on the six tests set out in CIPFA's Group Accounts in Local Authorities Practitioners Workbook Second Edition 2011. The council's assessment is that there is no requirement for Seaside Homes Ltd to be accounted for as an associate of the council and therefore no group accounts are required. The Audit Commission concurs with the council's view.

7 TARGETED BUDGET MANAGEMENT (TBM)

- 7.1 During 2011/12, Cabinet received regular Targeted Budget Management (TBM) reports in respect of the council's expenditure against the Budget. A revenue outturn report was taken to Policy and Resources Committee on 14 June 2012 showing a provisional underspend for the General Fund of £4.370m. There was no change in the final outturn position. This underspend has been transferred to the General Fund Working Balance. The revenue outturn report of 14 June 2012 contains full details.
- 7.2 The level of General Fund working balance and general reserves held at 31 March 2012 was £16.976m as shown in the Movement in Reserves Statement. The revenue summary section of the explanatory foreword to the Statement of Accounts provides information on the underspend and level of reserves held.

8 EVALUATION OF ALTERNATIVE OPTIONS

- 8.1 The purpose of this report is to note the Statement of Accounts for 2011/12.

9 REASONS FOR REPORT RECOMMENDATIONS

- 9.1 The purpose of this report is to note the Statement of Accounts for 2011/12.

10 CONSULTATION

- 10.1 The purpose of this report is to present the council's Statement of Accounts for 2011/12. There has been no external consultation. Residents of Brighton and Hove are able to inspect the accounts during the period 25 June 2012 to 20 July 2012.

11 FINANCIAL & OTHER IMPLICATIONS

Financial Implications

- 11.1 There are no financial implications.

Finance Officer Consulted: Jane Strudwick Date: 12 June 2012

Legal Implications:

- 11.2 The relevant statutory requirements relating to the Statement of Accounts are summarised in the report, in particular at paragraphs 1.1 and 3.1.

The report is for noting only. As indicated, the Committee has until 30 September in which to approve the statement of accounts, and officers will prepare a separate report on that process for consideration by the Committee in time to comply with the statutory deadline.

Lawyer consulted: Oliver Dixon Date: 14 June 2012

Equalities Implications:

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

- 11.4 Summary accounts will also be published.

Sustainability Implications:

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

Crime & Disorder Implications:

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

Risk and Opportunity Management Implications:

- 11.7 There has been no direct risk assessment for this report. However, the management of the closure of the council's accounts and the preparation of these complex annual accounting statements are subject to full risk assessment and review.

Corporate / Citywide Implications:

- 11.8 Any material changes resulting from the conclusion of the audit will be included in the Accounts to be reported to the Audit and Standards Committee in September 2012.

SUPPORTING DOCUMENTATION

Appendices

None

Documents in Members' Rooms

None

Background Documents

None

AUDIT & STANDARDS COMMITTEE

Agenda Item 13

Brighton & Hove City Council

Subject:	Review of the Effectiveness of the System of Internal Audit for 2011/12		
Date of Meeting:	26th June 2012		
Report of:	Director of Finance		
Contact Officer:	Name: Ian Withers	Tel: 29-1323	
	Email: ian.withers@brighton0hove.gov.uk		
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

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

2. RECOMMENDATIONS:

It is recommended that the Audit & Standards Committee:

- 2.1 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.
- 2.2 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.

3. BACKGROUND

Legislative Requirements

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

Defining the Effectiveness of system of Internal Audit

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

4. PROCESS

Code of Practice for Internal Audit in Local Government

- 4.1 For 2011/12, the review was carried out by self assessment against the CIPFA Code of Practice for Internal Audit in Local Government and relatively light touch. This was because new Public Sector Internal Audit Standards and associated Local Government Code are expected during 2012/13. A comprehensive review against the new standards is therefore planned for 2012/13 and will include a Members workshop.
- 4.2 The current CIPFA Code of Practice for Internal Audit in Local Government (2006) (the Code) is considered proper practice for Internal Audit under the Accounts and Audit Regulations 2011, The Code comprises eleven standards (or principles), thirty seven related areas and one hundred and six specific questions to form the basis of assessment.
- 4.3 The Standards comprise the following areas:
- 1) Scope of Internal Audit (Terms of Reference)
 - 2) Independence
 - 3) Ethics of Internal Auditors
 - 4) Audit Committee
 - 5) Relationships (with management, elected Members and other auditors)
 - 6) Staffing, Training and Continuing Professional Development
 - 7) Audit Strategy and Planning
 - 8) Undertaking Audit Work
 - 9) Due Professional Care
 - 10) Reporting
 - 11) Performance, Quality and Effectiveness
- 4.4 Further details of the areas under each standard and a summary of compliance against the CIPFA Code of Practice self assessment is shown at Appendix 1.

Benchmarking of Internal Audit

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

Statement on the Role of the Head of Internal Audit

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

Restructure of Internal Audit Service

- 4.8 During 2011/12, a restructure was carried out to reduce costs whilst changing the staff skills mix to meet the future needs and challenges facing the Council. The restructure is currently being implemented.

5. FINDINGS OF REVIEW

Self Assessment against the Code of Practice for Internal Audit in Local Government

- 5.1 Compliance against the criteria (106) contained in the CIPFA Code of Practice is self assessed as follows:
- Full Compliance 101 (95%)
 - Partial Compliance 4 (4%)
 - No Compliance 0 (0%)
 - Not applicable 1 (1%)
- 5.2 The self assessment remains constant with the effectiveness review carried out for 2010/11.
- 5.3 The one not applicable criteria item, relates to a paper based audit documentation system, whereas the Council's Internal Audit documentation process is fully electronic.
- 5.4 Those criteria assessed as partial are minor in nature and not considered to impact on the effectiveness of Internal Audit. One action will be taken during 2012/13 to address three out of four non criteria compliance:
- Review and update of the Audit Manual

- 5.5 The fourth partial compliance relates to the Head of Audit & Business Risk to report in his or her own name. The only exception to this is in respect of committee reports for Internal Audit, which in accordance with the Council's protocol, are in the name of the Director of Finance. The Head of Audit & Business Risk is however the author of the committee reports and has a high degree of autonomy as to their contents. There is therefore no action required to address this partial non compliance.
- 5.6 Other actions will be taken, resulting from the self assessment to further improve the Internal Audit Service, even though fully meeting the Code of Practice criteria;
- Review and update of Terms of Reference for Internal Audit
 - Update to Declarations of Interest
 - Review and update competency framework for Internal Audit staff
 - Review and update Internal Audit Report Format
 - Improve the effective use of the Action Tracking Module on Audit Management System (Galileo)
- 5.7 The Head of Audit & Business Risk will be responsible for ensuring the implementation of the action to achieve full compliance with the Code and actions for improvement.

Outcome of Benchmarking of Internal Audit

- 5.8 Results from the 2011/12 benchmarking exercise showed the Council's Internal Audit to continue to be above average for performance and efficiency and below average in terms of service costs when compared with other Unitary Councils.

Statement on the Role of the Head of Internal Audit

- 5.9 The assessment against the criteria contained in the Statement identified no significant non compliance issues but the following are action to be taken:
- A mechanism, to ensure that the Head of Audit & Business Risk is consulted on all proposed major projects, programmes and policy initiatives;

6. FINANCIAL & OTHER IMPLICATIONS:

6.1 Financial Implications:

The minor improvements identified within this review can be managed within the budget of Audit & Business Risk of £582k for 2012/13.

Anne Silley
Business Engagement Manager
Financial Services

14th June 2012

6.2 Legal Implications:

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

Oliver Dixon
Acting Senior Lawyer

14th June 2012

6.3 Equalities Implications:

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

6.4 Sustainability Implications:

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

6.5 Crime & Disorder Implications:

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

6.6 Risk and Opportunity Management Implications:

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

6.7 Corporate / Citywide Implications:

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

SUPPORTING DOCUMENTATION

Appendices:

1. Compliance with the CIPFA Code of Practice Self Assessment Summary

Background Documents

1. Accounts & Audit Regulations 2011 (Amended)
2. CIPFA Code of Practice for Internal Audit in Local Government (2006) and checklist
3. CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations (2011)
4. Internal Audit Strategy and Annual Audit Plan 2011/12
5. Internal Audit Terms of Reference for Brighton & Hove City Council
6. The Developing Internal Audit Agenda, Grant Thornton 2012

Compliance with the CIPFA Code of Practice for Internal Audit - Self Assessment Summary

CIPFA Standards/ Principles	Areas	Total No. criteria for standard	No. of FULLY MET criteria	No. of PARTIALLY MET criteria	No of NOT MET criteria	No. of N/A criteria
Scope of Internal Audit	Terms of Reference Scope of Work Other Work Fraud & Corruption	9	9	0	0	
Independence	Principles of Independence Organisational Independence Status of Head of Internal Audit Independence of Internal Audit Contractors Declarations of Interest	10	9	1	0	
Ethics for Internal Auditors	Purpose Integrity Objectivity Competence Confidentiality	6	6	0	0	
Audit Committees	Purpose of the Audit Committee Internal Audit's relationship with the Audit Committee	5	5	0	0	

CIPFA Standards/ Principles	Areas	Total No. criteria for standard	No. of FULLY MET criteria	No. of PARTIALLY MET criteria	No of NOT MET criteria	No. of N/A criteria
Relationships	Principles of Good Relationships Relationships with Management Relationships with Other Internal Auditors Relationships with External Auditors Relationships with Other Regulators and Inspectors Relationships with Elected Members	10	9	1	0	0
Staffing, Training and Continuing Professional Development	Staffing Internal Audit Training and Continuing Professional Development	7	7	0	0	0
Audit Strategy and Planning	Audit Strategy Audit Planning	11	11	0	0	0
Undertaking Audit Work	Planning Approach Recording Audit Assignments	11	10	0	0	1
Due Professional Care	Responsibilities of the Individual Auditor Responsibilities of the Head of Internal Audit	3	3	0	0	0

CIPFA Standards/ Principles	Areas	Total No. criteria for standard	No. of FULLY MET criteria	No. of PARTIALLY MET criteria	No of NOT MET criteria	No. of N/A criteria
Reporting	Principles of Reporting Reporting of Audit Work Follow-up Audits and Reporting Annual Reporting and Presentation of Audit Opinion	16	15	1	0	0
Performance, Quality and Effectiveness	Principles of Performance, Quality and Effectiveness Performance and Effectiveness of the Internal Audit Service	18	17	1	0	0
Totals		106	101	4	0	1

AUDIT & STANDARDS COMMITTEE

Agenda Item 15

Brighton & Hove City Council

Subject: Audit Committee Annual Report 2011/12
Date of Meeting: 26th June 2012
Report of: Director of Finance
Contact Officer:: Name: Ian Withers, Head of Audit & Business Risk
Tel: 29-1323
E-mail: ian.withers@brighton-hove.gov.uk
Wards Affected: All

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This draft report attached at Appendix 1 provides a summary of the Audit Committee's performance and achievements during 2011/12. It has been prepared on behalf of the Audit Committee members.
- 1.2 The preparation of an annual report is recognised as best practice for Audit Committees in providing assurance over its role by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. RECOMMENDATIONS:

It is recommended that the Audit & Standards Committee:

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

3. BACKGROUND

- 3.1 The Audit Committee (the Committee) was established in May 2008, replacing the previous Audit Panel. Its purpose for the 2011/12 municipal year is contained in the Terms of Reference Appendix A to the Annual Report.
- 3.2 Effective from the start of the 2012/13 municipal year, the Audit Committee has merged with the Standards Committee.

3.3 Whilst there is no statutory requirement for a local authority to establish an Audit Committee it is implied by the Accounts and Audit (England) Regulations 2011 and recognised across both the private and public sectors as a key component of corporate governance.

3.4 The key benefits of an effective Audit Committee are:

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

4. FINANCIAL & OTHER IMPLICATIONS:

4.1 Financial Implications:

The Audit & Standards Committee is an essential element of good financial governance, the costs its work programme including officer support and training is met from existing budgetary provision.

Anne Silley
Head of Business Engagement
Financial Services

14th June 2012

4.2 Legal Implications:

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

Oliver Dixon
Acting Senior Lawyer

14th June 2012

4.3 Equalities Implications:

There are no equalities implications arising.

4.4 Sustainability Implications:

There are no sustainability implications arising.

4.5 Crime & Disorder Implications:

There are no crime and disorder implications arising.

4.6 Risk and Opportunity Management Implications:

There are no direct risk and opportunity management implications arising.

4.7 Corporate / Citywide Implications:

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

SUPPORTING DOCUMENTATION

Appendices:

1. Audit Committee Annual Report 2011/12

Background Documents

1. Reports to the Audit Committee May 2011 – April 2012



AUDIT COMMITTEE

ANNUAL REPORT 2011/12 (Draft)

Councillor L. Hamilton, Chairman

Forward by the Chairman of the Audit Committee



This is my fourth year as Chair and I am pleased to present the Audit Committee's Annual Report for the 2011/12 municipal year. The report shows how the Audit Committee has successfully achieved its objectives contained in its terms of reference, developed its role and continued to make a positive contribution in challenging times for the Council, to its governance and control environment.

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

The Audit Committee has now merged with the Standards Committee and I believe it will continue to make a positive contribution.

I would like to take the opportunity to thank both the committee members and the officers that support the committee's work.

I would also like to thank the Audit Commission for their support and regular attendance at meetings.

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

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

From 2011/12, the Audit and Standards Committee will be merging and I am looking forward to the change and continued effectiveness of its role.

Introduction

1. The Audit Committee (the Committee), is now in its fifth municipal year, succeeding the Audit Panel. The Committee's activities during 2011/12 built on the positive contribution from previous years to the improvement of governance arrangements across the Council.
2. The Committee's role is principally to underpin the Council's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control (including Internal Audit External audit and counter fraud) and financial reporting frameworks
3. A copy of the Committee's Terms of Reference for 2011/12 municipal year is shown at Appendix A.
4. This is the third annual report from the Council's Audit Committee. It is produced in accordance with latest best practice¹ and details the work and outcomes of the Committee in 2011/12 and that the Council is committed to working as an exemplar organisation, operating to the highest standards of governance.

Audit Committee Work Programme and Members

5. During the 2011/12 municipal year there were 5 meetings of the Committee. All had full agendas and in total considered 40 written reports, received 2 presentations and 1 verbal update.
6. The rolling and flexible work programme covers the Committee's main areas of activity which is continually reviewed and amended to reflect changes in policies, priorities and risks. A summary of the work programme is shown at Appendix B.
7. The Committee consists of 10 Members and detailed for 2011/12 in Table 1 below. Nominated substitutes attended meetings as required.

Table 1: Members of the Audit Committee 2011/12

Member	Role
Councillor Les Hamilton	Chair
Councillor Matt Follet	Deputy Chair
Councillor Ron Jarratt	Member
Councillor Gill Mitchell	Member
Councillor Ann Norman	Member
Councillor Anne Pissaridou	Member
Councillor David Smith	Member
Councillor Ollie Sykes	Member
Councillor Liz Wakefield	Member

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

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

Training & Development

9. In order to be effective, it is recognised that members of the Committee should have a clear understanding of their role, internal control and governance issues, internal and external audit, risk and opportunity management and how the arrangements in place across the council operate.
10. In June and September there were two specific training sessions for Members on the role and functions of the Audit Committee. For September this also included Members role in relation to the approval of the Statement of Accounts. Other training was integrated into committee meetings such as fraud update.

Core Activities 2011/12

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

Internal Audit

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

During the year the Committee has:

- Approved the Internal Audit Strategy and Annual Plan for 2011/12;
- Considered regular Internal Audit Progress Reports from the Head of Audit & Business Risk highlighting audit work completed in particular audit reviews, internal audit performance against key indicators and any significant issues;
- Considered the Head of Audit & Business Risk's Annual Report and Opinion on the council's governance and internal control environment;
- Considered the statutory review of the effectiveness of the system of internal audit;
- Ensured the internal audit and external audit plans were complementary and provided optimum use of the total audit resource;
- Ensured Internal Audit is effective in the provision of key assurance on an ongoing basis; and
- Continue to provide support to the Internal Audit service to ensure management is responsive to recommendations made and agreed.

External Audit

13. External Audit which is currently provided by the Audit Commission is an essential part of the process of accountability of public funds, providing an independent opinion on the financial statements as well as arrangements for securing value for money across the council.
14. The Department of Communities and Local Government issued a consultation paper at the beginning of 2011/12 entitled "The Future of Local Public Audit". The Committee has been kept informed of the consultation outcome and award of the contract to Ernst & Young.
15. During the year the Committee:
 - Considered the Audit Commission's Annual Audit Plan;
 - Considered progress reports against the plan;
 - Considered Fees Letters;
 - Received and considered the Annual Governance Report ;
 - Receive and considered Annual Audit Letter for 2010/11; and
 - Considered individual reports from reviews carried out including Housing Repairs and Maintenance Contract.

Risk and Opportunity Management

16. During the year Committee:
 - Received and considered the Strategic Risk Register updates;
 - Considered the outcomes of the Risk Management Programme;
 - Received the Annual Risk Management Report; and
 - Received and considered individual risk maps on strategic risks, in particular on emerging risks and areas of concern (for example financial outlook).

Internal Control and Governance

17. A pivotal role of the Committee is its work in developing the council's internal control and assurance processes.
18. During the year the Committee:
 - Considered and agreed the council's Annual Governance Statement a key document which summarises the council's governance arrangements and the effectiveness of these during the year;
 - Received updates on actions for improvements from the Annual Governance Statement;
 - Received reports and sought assurance on effective actions to address, control weaknesses in the Council's HR/Payroll and Income Collection systems;

- Was requested and provided a letter to the District Auditor on providing assurance from those charged with governance;
- Together with officers, undertook review of the effectiveness of the Audit Committee utilising best practice from the Chartered Institute of Public Finance (CIPFA) and the National Audit Office (NAO)
- Continued to raise the profile of internal control and governance across the council and of the need to ensure audit recommendations for improvement are implemented.

Counter Fraud

19. Countering fraud and corruption is the responsibility of every Member and officer of the Council.
20. During the year the Committee:
 - Was kept informed of the number and nature of fraud investigations, significant cases, recovered losses etc;
 - Considered the outcome of counter fraud activity as part of the Head of Audit & Business Risk's Annual Report;
 - Monitored and supported the actions of officers in particular those by Audit & Business Risk to counter fraud;
 - Were made aware of national emerging fraud and corruption issues that could impact on the council for example housing tenancy fraud;
 - Were made aware of the outcome from the National Fraud Initiative (NFI);
 - Received the Councils' updated Counter Fraud Strategy, recommending its approval by the Policy & Resources committee; and
 - Made aware of national developments in counter fraud, the most significant being the release of the Local Government Fraud Strategy, "Fighting Fraud Locally " and will continue to be made aware of actions to address.

Financial

21. During the year the Committee:
 - Considered and approved the Annual Statement of Accounts, asking a number of questions on the content;
 - Considered the external auditor's report on the accounts and Council's responses to comments; and
 - Received periodic reports for information, on the Council's budget performance (TBM) asked questions and helped to inform the approval of end of year Statement of Accounts.

Other Activities

22. During the year the Committee:

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

Looking Forward

23. The Audit Committee has now integrated with the Standards Committee and will continue to develop its role and build on current status. For 2012/13 it will:

- Continue to review all governance arrangements to ensure they are robust with focus on change and the challenges facing the Council;
- To effectively integrate the functions of Audit and Standards Committee including ensuring Members receive appropriate training;
- Implementing changes to the National Standards Regime from July 2012;
- Ensure the effectiveness of the Council's response to existing and key risks emerging including resulting from financial pressures and transformation;
- Continue to support the work of Internal and External Audit and ensure appropriate management actions to recommendations made;
- Ensure the Council maintains and further improves the standards in relation to the production of accounts;
- Ensure the Council continues to manage the risk of fraud and corruption, in particular by taking further proactive measures for example awareness training;
- Equip existing and new Members to fulfil responsibilities by providing training, briefings and good practice guidance;
- Respond to changes imposed by legislation and from best practice on the structure and activities of the Audit & Standards Committee to ensure its continued effective role;
- To keep abreast of developments and respond as required to changes in the Public Audit Agenda.

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

Explanatory Note

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

Functions

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

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

(Source: B&HCC Constitution)

Appendix B

Summary of the Audit Committee Work Programme 2011/12

Meeting Date	Report	Area
28th June 2011	Audit Commission Progress Report and Update 2010/11	External Audit
	Unaudited Statement of Accounts 2010/11	Financial Management
	Draft Annual Governance Statement 2010/11	Internal Control and Governance
	Review of the Effectiveness of Internal Audit	Internal Audit
	Targeted Budget Management Provisional Out Turn 2010/11	Financial Management
	Risk Management Update: The Risk and Performance Management Framework	Risk Management
Part 2	Strategic Risk Management Actions Plans focus	Risk Management
27th September 2011	Audit Commission: Annual Governance Report 2010/11	External Audit
	2010/11 Statement of Accounts	Financial Management
	Audit Commission: Changes to the local audit regime	External Audit
	Targeted Budget Management (TBM) Month 4	Financial Management
	Risk & Opportunity Management (ROM) Annual Report 2010/11 and Risk Management Programme 2011/12	Risk Management
	Internal Audit Progress Report and Internal Audit Plan 2011/12 Update	Internal Audit
	The Bribery Act 2010	Internal Control and Governance
Part 2	Strategic Risk Management Actions Plans focus	Risk Management
	Investigation into Hove Town Hall Income Losses	Internal Control and Governance
20th December 2011	Treasury Management Policy Statement 2011/12 (including Annual Investment Strategy 2011/12)	Other Activities
	Targeted Budget Management (TBM) Month 7	Financial Management
	Audit Commission: Progress Report 2011/12 and Briefing	External Audit
	Audit Commission: Annual Audit Letter 2010/11	External Audit
	2010/11 Assurances from the Audit Committee as the body charged with governance	
	Internal Audit Progress Report 2011/12	Internal Audit
	Annual Governance Statement 2010/11 Action Plan Update	External Audit
	Strategic Risk Register	Risk Management
	Review of the Effectiveness of the Audit Committee	Internal Control and Governance
Part 2	Strategic Risk Management Actions Plans focus	Risk Management
21st February 2012	Targeted Budget Management (TBM) Month 9	Financial Management
	Review of the Effectiveness of the Audit Committee	Internal Control and Governance
	Audit Commission: Progress Report 2011/12	External Audit

Meeting Date	Report	Area
	Audit Commission: 2010/11 Certification of Claims and Returns – Annual Report	External Audit
	Internal Audit Progress Report 2011/12	Internal Audit
	Risk Management Strategy 2012	Risk Management
	Current Fraud Risks and Brighton & Hove City Council Counter Fraud Programme (Verbal)	Fraud
Part 2	Strategic Risk Management Actions Plans focus	Risk Management
	Internal Audit Review of Payroll	Internal Audit
24th April 2011	Audit Commission: Progress Report 2011/12	External Audit
	Audit Commission: Opinion Audit Plan 2011/12	External Audit
	Assurances from the Audit Committee as the body charged with governance 2011/12	External Audit
	Internal Audit Strategy & Annual Audit Plan 2012/13	Internal Audit
	Counter Fraud Strategy Update	Fraud
	2011/12 Statements of Accounts Preparation	Financial Management
Part 2	Payroll Update (Verbal)	Internal Control and Governance
	Strategic Risk Management Actions Plans focus	Risk Management

DRAFT

Subject:	Risk Management Programmes - 2011/12 (Outcome) and 2012/13 (Planned)		
Date of Meeting:	26 June 2012		
Report of:	Director of Finance		
Contact Officer:	Name:	Jackie Algar	Tel: 29- 1273
	Email:	Jackie.algar@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The approved Risk Management Strategy 2012 sets out the role of the Audit & Standards Committee (previously the Audit & Standards Committee) in relation to risk management including to receive “reports on risk management arrangement, Risk Management Programme and progress”.
- 1.2 This report provides an annual report of progress against the approved annual Risk Management Programme 2011/12 to help inform the Audit & Standards Committee’s opinion on the effectiveness of risk management and internal control.
- 1.3 The proposed Risk Management programme detailing actions in 2012/13 is submitted for approval.

2. RECOMMENDATIONS:

- 2.1 That the Audit & Standards Committee note progress against the annual Risk Management programme 2011/12 (appendix 1).
- 2.2 That the Audit & Standards Committee approve the annual Risk Management programme 2012/13 (appendix 2).

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 In February 2012 Cabinet approved a new “Risk Management Strategy for 2012”. This was reported to the Audit Committee for information on 21 February 2012.
- 3.2 The Risk Management Strategy sets out the role of the Audit & Standards Committee (previously the Audit Committee) as to “Ensure independent assurance of the adequacy of Risk Management and the associated control environment”.

- 3.3. There are a number of ways in which the Audit & Standards Committee fulfil their role, chiefly these are to:
- (i) At least annually receive the strategic risk register, and reports on risk management arrangements, risk management programme and progress
 - (ii) Where it considers it appropriate, make recommendations to the Council's elected Member Leadership Group, now confirmed as Policy & Resources Committee
 - (iii) Engage in Risk Management to increase their knowledge and understanding
- 3.4. Risk Management approaches and work are co-ordinated by the Risk Manager. The annual risk management programme influences her daily work which is agreed with and monitored by the Head of Audit & Business Risk.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1 The Risk Management Strategy and the Risk Management methodology have been consulted upon internally, and are shared with external bodies, e.g. national health organisations and other statutory partners in the city.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 Effective Risk Management of risks, which affect the council's successful achievement of its objectives, ensures that all potential financial impacts are properly considered and that likely financial outcomes are reflected in medium term financial plans and budget strategies, which are continually updated to reflect changing assumptions and likelihood of risk. The Risk Management Programme raises awareness of risks and supports forward planning.

Finance Officer Consulted: Anne Silley

Date: 30/05/12

Legal Implications:

- 5.2 There are no legal implications arising directly from this report. Consideration of the council's Risk Management arrangements is one of the functions of the Audit & Standards Committee, and approving the risk management programme for 2012/13 (see recommendation 2.2 above) is therefore within its remit.

Lawyer Consulted:

Oliver Dixon

Date: 29/05/12

Equalities Implications:

- 5.3 There are no direct implications. The council's operating model puts customers at the heart of our activities. The Risk Management methodology includes consideration of and a process to manage equalities implications.

Sustainability Implications:

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

Crime & Disorder Implications:

- 5.5 There are no direct Crime & Disorder implications.

Risk and Opportunity Management Implications:

- 5.6 Reporting of the Risk Management Annual Report 2011/12 and Risk Management Programme 2012/13 is one of the ways to provide information on, and improve the quality and consistency of, the risk management of the council's activities.

Public Health Implications:

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

Corporate / Citywide Implications:

- 5.8 There are no direct citywide implications but the council's Risk Manager will work with risk management representatives of other statutory partners in the city, as detailed in Risk Management programme in 2012/13.

SUPPORTING DOCUMENTATION

Appendices:

1. Progress against the Risk Management Programme 2011/12.
2. Annual Risk Management programme 2012/13.

Documents in Members' Rooms

None.

Background Documents

1. Brighton & Hove City Council's Risk Management Strategy 2012.

Appendix 1

Progress against the annual Risk Management programme 2011/12

A) IMPROVE RISK MANAGEMENT (both “downside” negative and “upside” positive risks)	Rationale/outcome	Resources Required	Target Date	Progress Update (and lead officers)
A)1 Review existing and develop risk management tools & techniques to suit Commissioning Framework delivery	Proactively encourage opportunity taking (using ROM techniques) and minimisation of downside/negative risks	Officer Time (to be absorbed within the existing staff arrangements)	Mar 12	<p>Achieved (Jackie Algar)</p> <p>1) Input to review of Performance & Risk Management Framework “PRMF” (risk management strategy 2012 incorporated)</p> <p>2) As part of set out commissioning process, Risk Management consultancy provided to facilitate creation of risk registers for commissioning project groups, boards and teams</p> <p>Partially Achieved (Jackie Algar and Paula Black)</p> <p>Roll out and deadlines set to implement reviewed PRMF</p>
A) 2 Link risk management to structure of council and organisations with whom the council works to enable provision of risk management advice and service	To embed Risk Management in the delivery of services for the city	Officer Time (to be absorbed within the existing staff arrangements)	May 11 onwards	<p>Achieved (Charlie Stewart/Jackie Algar)</p> <p>As approved by the Public Service Board begin work with statutory city partners to share understanding of risk management processes and methodology</p>
A) 3 Produce & seek Cabinet approval of a current & updated risk management approach through new “Risk Management Standard 2012”	To improve the capacity of the organisation to practice RM effectively	Officer Time (to be absorbed within the existing staff arrangements)	Mar 12	<p>Achieved (Jackie Algar)</p> <p>Cabinet approval for Risk Management Strategy (not Standard) on 9 February 2012. Reported to Audit Committee on 21 February 2012.</p>

Appendix 1

Progress against the annual Risk Management programme 2011/12

	Rationale/outcome	Resources Required	Target Date	Lead Officer
B) TO PROVIDE TRAINING FOR MEMBERS AND OFFICERS IN RISK MANAGEMENT				
B)1	Provide training for officers as part of the Learning & Development Programme and extend training offer to outside organisations	Officer Time (to be absorbed within the existing staff arrangements)	Apr 11 onwards	Achieved (Jackie Algar) 1) On average 1 or 2 risk management workshops per week with officers, teams, project groups as 2) Risk Management training as part of INLoGOV training programme for Commissioners – 14 December 2011
B)2	Provide risk management overview training for Members and information on the Strategic Risk Register	Officer Time (to be absorbed within the existing staff arrangements)	May 11 onwards	Achieved (Jackie Algar) 1) Update to the Member Handbook on risk management sections - May 2011 2) Presentation and papers on risk management as part of Audit Committee Induction Training – 24 June 2011
C) ENHANCE LINKS WITH PARTNERS ON RISK MANAGEMENT				
C) 1	Establish good links with partner organisations to share risk management approach	Officer Time (to be absorbed within the existing staff arrangements)	Mar 12	Achieved (Jackie Algar & Charlie Stewart) Reports to city's Public Service Board on risk management – May, June, November 2011. Work with nominated risk representatives from city statutory partners.
D) TO IMPROVE RISK REPORTING ARRANGEMENTS				
D) 1	Fully use risk management software to enhance the council's ability to record risks, inform analysis, highlight areas and provide an overview of risks and opportunities, particularly for reporting to Audit Committee	To be confirmed	Mar 12	Partially Achieved (Jackie Algar & Paula Black) Further work to be done to reflect the council's structure and integrate risk management with business planning.

Appendix 1

Progress against the annual Risk Management programme 2011/12

D) 2	Share and report risk registers as appropriate with other organisations to increase business resilience , inform joint working & achievement of shared objectives, in order to provide assurance across the range of service delivery methods	To assist the Audit Committee to form an opinion on the effectiveness of the Risk Management & Internal Control environment	Officer Time (to be absorbed within the existing staff arrangements)	Various Officers	<p>Partially Achieved (Jackie Algar) The council's Strategic Risk Register has been provided to all Public Service Board organisations, and updates will continue to be sent. Separate arrangements for Civil Contingencies Act 2004. Began work to share information on risks faced across the city.</p>
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Appendix 2

Risk Management Programme 2012 - 2013

A) IMPROVE RISK MANAGEMENT		Rationale/outcome	Resources Required	Target Date	Lead Officer(s)
A)1	Continuous review of existing and develop risk management tools & techniques to integrate with existing and developing business systems for the re-structured council and partnership delivery arrangements.	Proactively encourage opportunity taking and minimisation of downside/negative risks	Officer Time (to be absorbed within the existing staff arrangements)	Mar 13	Jackie Algar
A)2	Risk Management input at Audit Committee, project boards and officer working groups to ensure integration and added value by use of the council's risk management methods and arrangements	To ensure the council's corporate governance arrangements are effective	Officer Time (to be absorbed within the existing staff arrangements)	Mar 13	Jackie Algar
A)3	Develop publicity and knowledge of parties connected with council service delivery to escalate risks, using available reporting procedures	To ensure the council's corporate governance arrangements are effective	Officer Time (to be absorbed within the existing staff arrangements)	Mar 13	Jackie Algar
B) TO PROVIDE RISK MANAGEMENT TRAINING FOR MEMBERS, OFFICERS and RELATED PARTIES CONNECTED TO COUNCIL OPERATIONS		Rationale/outcome	Resources Required	Target Date	Lead Officer
B)1	Provide training for officers as part of the Learning & Development Programme and extend training offer to outside organisations	To improve the capacity of the organisation to practice Risk Management effectively	Officer Time (to be absorbed within the existing staff arrangements)	Mar 13	Jackie Algar
B)2	Provide risk management overview training for Members and information on the Strategic Risk Register	To improve the capacity of the organisation to practice Risk Management effectively	Officer Time (to be absorbed within the existing staff arrangements)	May 12 onwards	Jackie Algar

Appendix 2

Risk Management Programme 2012 - 2013

B)3	Provide a professional risk management service under contract to Southdowns National Park Authority, following successful tender bid as part of Finance function	To deliver on contractual agreement and provide a good service to attract income to the council and better work with neighbouring organisations	Officer time paid for by external organisation as set out in contractual agreement	April 2012 and as and when commissioned	Jackie Algar
B)4	Establish good links with partner and community organisations to share risk management approach, including development of training offer	To work better with partners and other organisations to deliver the council's commissioning framework and city outcomes	Officer Time (to be absorbed within the existing staff arrangements)	Mar 13	Jackie Algar
C) SHARE INFORMATION ON RISK MANAGEMENT IN AN APPROPRIATE WAY		Rationale/outcome	Resources Required	Target Date	Lead Officer
C) 1	Maintain and develop further links with partner and community organisations to share risk management approaches and information	To work better with partners and other organisations to deliver the council's commissioning framework and city outcomes	Officer Time (to be absorbed within the existing staff arrangements) and work with Community Team and Learning & Development	Mar 13	Jackie Algar
D) TO IMPROVE RISK REPORTING ARRANGEMENTS		ROM Strategy Rationale/outcome	Resources Required	Target Date	Lead Officer
D) 1	Fully use risk management software to enhance the council's ability to record risks, inform analysis, highlight areas and provide an overview of risks and opportunities, particularly for reporting to Audit & Standards Committee	To assist the Audit & Standards Committee to form an opinion on the effectiveness of the Risk Management & Internal Control environment	Extension of CAMMS Interplan Licence from September 2012 to be met from identified funds	Mar 12	Jackie Algar

AUDIT & STANDARDS COMMITTEE

Agenda Item 17

Brighton & Hove City Council

Subject: Internal Audit Annual Report and Opinion 2011/12

Date of Meeting: 26th June 2012

Report of: Director of Finance

Contact Officer: Name: Ian Withers Tel: 29-1323

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

Wards Affected: All

Note: The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the Internal Audit Annual Report and Opinion 2011/12 was not fully completed due to outstanding queries.

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report presents the Internal Audit & Opinion Annual Report 2011/12 to Members of the Audit Committee at Appendix 1. The Head of Audit & Business Risk is required to prepare an annual assurance report on the Council's control environment. The report includes details of the audit work achieved against the Annual Audit Plan for 2011/12.
- 1.2 The purpose of this report is to provide an opinion on the effectiveness of the Council's control environment comprising governance, risk management and internal control as a contribution to the economic, efficient and effective use of resources. The internal audit work programme and annual opinion is a key source of evidence for annual review of governance arrangement and the Annual Governance Statement that is presented to this Committee.
- 1.2 The Audit & Standards Committee has a responsibility for reviewing the assurance framework for the Council which includes the Annual Internal Audit & Opinion Annual Report.

2. ASSURANCE FROM THE WORK OF AUDIT & BUSINESS RISK FOR 2011/12

- 2.1 During the year Audit & Business Risk completed 81 planned audit review (achieving the target of 95% of the revised Annual Audit Plan. The remaining 5% are at fieldwork stage.

- 2.2 Overall 73% of audit reviews undertaken gave either reasonable or substantial assurance, representation a decrease from the previous year of 9%.
- 2.3 On the basis of the audit work undertaken and management responses received, the Head of Audit & Business Risk is able to deliver a positive end of year opinion that **reasonable assurance** can be provided that an effective control environment is operating.

3. **RECOMMENDATIONS:**

It is recommended that the Audit Committee:

- 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
- Note the internal audit coverage and any significant issues emerging.

4. **BACKGROUND INFORMATION**

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of the council's internal control, risk management and governance arrangements. This includes identifying any actions or improvements for the effective use of resources. Internal audit is therefore a key part of the council's internal control system and integral to the framework of assurance that the Audit Committee can place reliance on to assess its internal control system.

The Accounts and Audit Regulations 2011 require the Council '*to undertake an adequate and effective internal audit of its accounting records and system of internal control in accordance with proper practices*'.

Within the Council the internal audit function sits within the Audit & Business Risk Service, carries out the work to satisfy the legislative requirement and reports its findings, conclusions and recommendations/agreed actions to Senior Managers and the Audit Committee.

Proper practice under the above regulations is defined by the Chartered Institute of Public Finance & Accountancy (CIPFA) 'Code of Practice for Internal Audit in Local Authorities' and has been adopted by the Council. This requires the Head of Audit & Business Risk to provide a written report to those charged with governance timed to support the review of corporate governance arrangements and the Annual Governance Statement. The report at Appendix 1:

- Provides an opinion on the overall adequacy and effectiveness of the organisation's control environment;
- Discloses any qualifications to that opinion, together with reasons;
- Presents a summary of the audit work from which the opinion is derived;

- Draws attention to any issues of particular relevance;
- Compares the audit work actually undertaken against that planned and summarise the performance of the Internal Audit function against its performance measures and targets.

The Annual Internal Audit Plan for 2011/12 was presented and approved by the Audit Committee in April 2011. The Annual Report and Opinion therefore provides details of the outturn against the planned and unplanned work that arose during the year.

Audit performance is demonstrated achievement of the Annual Audit Plan, ensuring compliance with CIPFA Code of Practice and benchmarking the service against others in the sector. The effectiveness of Internal Audit is also further considered by the Audit Committee as part of their responsibilities under the Accounts & Audit Regulations 2011.

5.. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

The Internal Audit & Opinion Annual Report 2011/12 outlines how resources were applied, the internal control recommendations, savings through counter fraud and other issues. The Internal Audit Plan for 2011/12 was delivered within budgetary resources for the year.

Anne Silley
Business Engagement Manager
Financial Services

17th June 2012

5.2 Legal Implications:

The Internal Audit Annual Report and Opinion complies with Regulation 6 of The Accounts & Audit Regulations 2011 which requires the council to 'undertake an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control'.

The report is for noting only.

Oliver Dixon
Acting Senior Lawyer

17th June 2012

5.3 Equalities Implications:

Effective systems of internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the community.

5.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

5.5 Crime & Disorder Implications:

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

5.6 Risk and Opportunity Management Implications:

Internal audit work/coverage is directed toward giving assurance about controls to mitigate risks identified through its audit risk assessment. This includes assurance around the design of those controls and the operating effectiveness.

Internal audit work contributes significantly to increasing awareness and understanding risk, controls and value for money amongst managers and thus leads to improving processes for securing more effective risk management.

5.7 Corporate / Citywide Implications:

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

SUPPORTING DOCUMENTATION

Appendices:

1. Annual Internal Audit Report and Opinion 2011/12

Background Documents

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

Audit & Business Risk

Internal Audit Annual Report and Opinion 2011/12

Ian Withers

Head of Audit & Business Risk



**Brighton & Hove
City Council**

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Acknowledgements:

We are grateful for the continued co-operation and support we have received from all those engaged with the audit process during 2011/12

Introduction

Purpose of the report

1. This report summarises the internal audit work undertaken by Audit & Business Risk during the financial year 2011/12, in particular the outcomes of audit reviews, management actions and counter fraud activities. The report includes the Head of Audit & Business Risk's Annual Opinion on the Council's control environment.

Role of Internal Audit

2. The Council's Internal Audit function is provided by Audit & Business Risk, part of the Finance Unit, together with Deloitte & Touche Public Sector Internal Audit Lt under a co-sourced arrangement.
3. Our role is to provide independent and objective assurance on the adequacy of the council's internal control environment, comprising risk management, internal control and governance by evaluating its effectiveness as a contribution to the proper economic, efficient and effective use of resources.
4. Internal Audit is a statutory requirement for local authorities under the Accounts & Audit Regulations 2011, which states that *a local authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices*. The Council has recognised this statutory requirement in its financial regulations.
5. We continually seek to adapt and enhance our approach in order to take account of the Council's risk profile and emerging issues, to ensure our work remains focussed on the areas of highest risk and providing value added to services.
6. Internal audit work also assists the Director of Finance in the discharge of her responsibilities as the Council's Section 151 Officer.

Head of Audit & Business Risk's Annual Audit Opinion

7. The level of assurance that the Head of Audit & Business Risk provides is based on the internal audit work carried out during the year. In assessing the level of assurance given, the following have been taken into account:
 - Internal audit work completed during 2011/12, planned and unplanned;
 - Management responses to audit reviews including effective actions to audit recommendations made;
 - Follow-up action taken following agreement and issue of final audit reports in 2011/12 and previous years;

- Assurance from individual audit reviews in the form of audit opinions;
- Other assurance work undertaken both from internal and external sources;
- Impact of significant changes to the Council's systems and operations; and
- The quality and performance of internal audit work and extent of compliance with the CIPFA Code of Practice for Internal Audit.

Annual Audit Opinion

No assurance can ever be absolute, however based upon the internal audit work undertaken it is the Head of Audit & Business opinion that **reasonable assurance can be provided on the adequacy and effectiveness of the Council's control environment operating for the year ended 31st March 2012.** The Council's control environment comprises internal control, risk management and governance arrangements.

8. Our audit work during the year has identified weaknesses and specific control improvements required in a number of key system areas. We will continue to work closely with management in successfully implementing actions within reasonable timescales.

Internal Audit Activity

Annual Audit Plan

9. The Internal Annual Audit Plan for 2011/12 was agreed by the Audit Committee in April 2011 and included a total of 91 specific risk based audit reviews. The Internal Audit Plan is flexible to emerging issues and risks throughout the year and subject to change through liaison with management to ensure the best use of our audit resources. Some audit reviews have been added or deleted from the Plan, others consolidated or split into separate elements. Consequently the total number of audits undertaken during 2011/12 was 86 compared with 91 planned.
10. The total audit reviews of the final amended Annual Audit Plan were 86. A full listing of internal audit reviews is shown at Appendix A, including amendments to planned and summarised as follows:
- Deleted audit reviews from Annual Audit Plan (-4)
 - Deferred audit reviews to 2011/12 (-5)
 - Merged audit reviews with other planned (-5)
 - Additional unplanned audit reviews (+9)
11. At the time of preparing this report the position on these were as follows:
- 86 – Total number of audits per amended Annual Audit Plan
 - 58 – Final Internal Audit Reports

- 24 – Draft Internal Audit Reports (awaiting responses and agreement)
 - 4 – Audit fieldwork stage, still in progress
12. The number of audits at draft report and fieldwork stage is higher than the previous year when by June, 18 audit reviews remained at draft and 4 fieldwork. We are working with managers and giving priority to progressing all to final.
 13. Audit review remaining at fieldwork stage are nearing audit report stage but have been delayed due a number of reasons including service pressures and availability of key managers.
 14. For 2011/12 the actual direct audit days was 1,693 against planned of 1,840.
 15. During the year, we have had staff vacancies and have backfilled as far as possible, obtaining some staff resources from an external internal audit provider through a framework contract. A substantial amount of our audit time has been spent on the income systems and payroll following system control problems.

Outcomes from Audit Reviews

16. Table 1 below contains of summary of assurance levels given in audit reports, including a comparison with the previous year 2010/11. Those not included (2) are where an assurance level is not relevant and therefore not provided.

Table 1 – Internal Audit Reports and Assurance Levels Given

Assurance Opinion	No. of Audit Reviews			
	2011/12		2010/11	
Full	0	0%	0	0%
Substantial	28	34%	23	25%
Reasonable	32	39%	53	57%
Limited	20	24%	15	16%
No	0	0%	0	0%
Not Included	2	3%	2	2%
Totals	82	100%	93	100%

17. The number of audit reviews giving limited assurance has increased from 16% in 2010/11 to 24% in 2011/12 and reflects a number of system control problems and issues. Specific audit reviews at final report stage, giving limited assurance are as follows:
 - Staff Overtime and Allowances
 - Income System – Cash and Cheques
 - Imprest and Petty Cash Accounts
 - Payroll/HR
 - VFM – Procurement
 - Recruitment System
 - OHMS Housing Management System Application
 - Council Transport Fuel
 - Development Control Income
 - Blue Badges
 - Residential Parking Permits

18. As part of our follow-up work we will be focussing on those audits giving limited assurance and working with management to ensure agreed actions for improvements in internal controls are implemented.
19. Table 2 below contains a summary of audit recommendations for improvements in internal controls, contained in audit reports issued for the year. Where audit recommendations are contained in final audit reports, actions will have been agreed with management for implementation. A comparison is again made with 2010/11.

Table 2 - Audit Recommendations (Actions) Made

No. of Audit Recommendations/Actions	2011/12		2010/11	
	No.	%	No.	%
High	40	8%	42	17%
Medium	377	76%	495	78%
Low	79	16%	96	15%
Totals	496	100%	633	100%

Counter Fraud

20. Our work covers all corporate internal fraud and corruption which includes reactive investigations but also increasingly proactive in managing the risk of fraud.
21. During the year we received and investigated 180 fraud referrals of suspected fraud and irregularities and of these currently 81 have been closed with 91 remaining as still in progress. The number of referrals has increased from 112 in 2010/11 demonstrating a national trend of increased fraud together with greater awareness amongst staff and the general public.
22. Of the closed cases sanctions applied during 2011/12 included:
- 2 employees suspended on the grounds of suspected gross misconduct;
 - 1 employee dismissed for theft;
 - 1 employee resigning whilst under investigation;
 - 1 application to succeed a housing tenancy being refused;
 - 1 potentially illegal housing tenancy housing property being abandoned;
 - 1 potentially illegal housing property being returned to the Council for re-letting
23. The Council participates in the Audit Commission's National Fraud Initiative (NFI) a data matching exercises to identify fraud and error. We have the lead role for the Council for co-ordinating and investigating matches. During the year investigations of matches carried out resulted in savings from principally overpayments of housing benefits of £433k. This savings figure is expected to rise further during as investigations of matches are completed. Significant investigations of NFI matches included:
- 25 cases identified of housing benefit overpayment incurred by employees of the Council.
 - 2 housing benefit administration penalty sanctions being issued.

- 4 blue badges cancelled as it was found that the holders had more than one issued in the UK;

24. Proactive counter fraud work undertaken during the year included:

- Continuing the close liaison with other public sector organisations for a “partnership” approach to fighting fraud examples including the UK Borders Agency, Sussex Police, NHS Counter Fraud Service, Audit Commission, National Fraud Authority and various Local Authorities.
- Close cross council working with officers from key services to combat fraud including Adult Social Care, Housing Management and Procurement.
- Further development of INCASE Intelligence software
- Further raising fraud awareness amongst staff and Members through training and briefings.
- Updating the Council’s Counter Fraud Strategy including response to the Bribery Act requirements

25. The staff resources used in respect of counter fraud for 2011/12 was 270 days an increase from 255 days in 2010/11.

26. During 2011/12 the Local Government Fraud Strategy, ‘Fighting Fraud Locally’ was developed and published by the National Fraud Authority in April of this year. The Head of Audit and Business Risk had direct input to the development as part of an expert advisory group. The Strategy contained 59 recommended actions, many are already in place but during 2012/13 we will continue to implement those appropriate.

27. The National Fraud Authority also published the latest Annual Fraud Indicator and estimated that the loss to fraud to the UK economy per annum is £73 billion of which £2.2 billion in respect specifically of local government.

Council’s Annual Governance Statement

28. Our assurance work and the Head of Audit & Business Risk’s Annual Opinion above is a key part of the council’s Annual Review of Governance Arrangements and production of the Annual Governance Statement. Key issues from audit reviews, in particular those providing limited assurance have been considered and where appropriate included in the Annual Governance Statement.

Corporate Support

29. We have continued to be pragmatic in providing professional support to management through proactive advice and information. This element of our work is seen as invaluable by services, particularly in areas of change management. By taking this proactive approach, often problems and risks can be avoided. Areas included projects and programme management, HR processes, Adult social care, information governance and data quality.

Other Direct Audit Activity

30. Other direct audit activity also includes follow-up reviews on management action to implement agreed audit recommendations. These reviews are usually carried out within six months of action agreed and issue of the final report. From follow-up reviews carried out during 2011/12, the overall level of implementation of agreed actions is 86% of which 98% relates specifically to high priority recommendations.
31. We will continue to focus our resources on high and certain medium priority audit recommendations. To monitor all agreed actions, we will be reviewing the feasibility of giving access by managers to our action management software, specifically to the action tracking module.

Performance of Internal Audit

32. The key indicator for Internal Audit performance is achievement against the Annual Audit Plan, demonstrated earlier in this report. There are however other local performance indicators used based on professional best practices and included in the agreed Annual Internal Audit Plan and our Service Business Plan. These are monitored and reported throughout the year.

Summary of 2011/12 performance data

33. Performance against effectiveness targets remains positive and reflects the quality of our work. The performance against agreed targets for 2011/12 is shown in Table 3 below. For comparison purposes, 2011/12 actuals are included.

Table 3 – Actual Performance Against Targets

Completion of planned audits (to final or draft report)for 2011/12

Purpose of the performance indicator: to ensure that Audit & Business Risk provides sufficient coverage to provide an adequate and effective internal service, to provide sufficient assurance to management on the council's control environment and meet the requirements of the Section 151 Officer and External Audit.	
Target: 95%	Achieved: 95% (2010/11 96%)

(Note: Completion of planned audits for 2011/12 is at June. It is expected that all will be finalised.)

Turnaround times of audit reports

Purpose of the performance indicator: to ensure effectiveness of audit work in terms of timeliness and service delivery to clients.	
Target: Issue 100% of draft reports within 10 working days of completion of audit fieldwork	Achieved: 94% (2010/11 97%)
Target: Receive 100% of client responses within 15 days of issue of draft reports.	Achieved: 91% (2010/11 89%)
Target: Issue of 100% of final audit reports within 10 days of agreement with clients	Achieved: 89% (2010/11 94%)

Client satisfaction levels of at least good or very good

Purpose of the performance indicator: to ensure Audit & Business Risk provides a sufficient level of service in terms of quality and impact through adding value as required by its clients.	
Target: 92% of client satisfaction responses at least good or very good.	Achieved: 93% (2010/11 94%)

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

Purpose of the performance indicator: to ensure the audit coverage and quality is sufficient to meet the statutory requirements of external audit, including the International Standards of Auditing and beneficial in terms of reducing external audit fees to the City Council. Reliance is reflected in low level of external audit fees for the Council.	
Target: Reliance	Achieved: Reliance (2010/11 Reliance)

Service Benchmarking

34. Benchmarking is accepted as a key method of comparing performance with other unitary local authorities. We continued to participate in an annual benchmarking exercise carried out by the Chartered Institute of Public Finance & Accountancy (CIPFA). The information it provides is seen as invaluable in assisting us to demonstrate value against our peers

35. Information from annual exercises has demonstrated the value of our service and we have remained consistently in the upper performance quartile. The draft report for 2011/12 was recently received and contained the following key comparisons relating to service performance and costs::

- Audit cost per £1M gross turnover for the council, £680 against an average of £984;
- Audit days per £1m gross turnover for the council 2.17 against an average of 3.4; and
- Direct days¹ per auditor 182 against an average of 175.

Service Review

36. The Accounts and Audit Regulations 2011 (R6) requires an annual review to be carried out on the effectiveness of the system Internal Audit. This was carried out as a self assessment against the CIPFA Code of Practice for Internal Audit in Local Government. The outcome of the review against the criteria (106) contained in the Code was:

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

37. The overall conclusion is that the system of internal audit remains effective.

Service Restructure

38. During the second half of 2011/12, an internal restructure of the service was completed to reduce costs whilst changing the staff skills mix to meet future needs and challenges facing the Council. The restructure is currently being implemented.

39. The Accounts and Audit Regulations 2011 (R6) requires an annual review to be carried out on the effectiveness of Internal Audit. This is primarily against the CIPFA Code of Practice for Internal Audit in Local Government. The outcome of the review against the criteria (106) contained in the Code was:

Service Developments

40. The following are key service developments planned for 2012/13:

- Further implementation of New Audit Management System that will increase productivity, management information (e.g. direct Audit Committee Reports) and tracking of actions from audit reviews;
- Greater use of flexible working to increase productivity and satisfaction of staff;

¹ Direct days are total days available less all leave, training and administration; therefore productive time spent carrying out audit work.

- Further developing the use of analytical software tools across the council's systems to focus audit resources on high risk areas e.g. data mining and continuous auditing
- Ensure effective quality assurance processes are in place;

- Review of stakeholder feedback to individual audit reviews and full survey; and
- Introduce e-learning fraud awareness training across the council to promote i fraud awareness.

Appendix B**Definitions of Internal | Audit Assurance Levels**

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

Definitions of Priorities for Audit Recommendations

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

Terms of Reference for the provision of Internal Audit Services

1. Purpose

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

2. Role and Function

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

3. Reporting Lines & Relationships

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

4. Independence and Accountability

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

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

5. Statutory Role

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

6. Consultancy and Advisory Role

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

7. Internal Audit Standards

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

8. Internal audit Scope

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

9 Internal Audit Skills and Resources

- 9.1 Audit & Business Risk will ensure as far as possible that it appropriately staffed in terms of numbers, skills and experience. The Head of Audit & Business Risk is responsible for appointing of staff and will ensure these are made in order to achieve the appropriate mix of qualifications, experience and skills.
- 9.2 The Head of Audit & Business Risk is responsible for ensuring that the resources of Audit & Business Risk are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby he concluded that resources were insufficient, he must formally report this to the Director of Finance (Section 151 Officer) and the Audit Committee.
- 9.3 Where necessary to provide an adequate, effective and professional service the Head of Audit & Business Risk will outsource internal audit work to supplement internal resources but will ensure quality is not compromised.
- 9.4 If Internal auditors are appointed from operational roles elsewhere within the council, they do not undertake an audit in that area directly within one year unless by prior agreement.
- 9.5 In line with the CIPFA Statement on the Role of the Head of Internal Audit (2010), the Head of Audit & Business Risk is a professional qualified CIPFA Accountant. In addition there is a high mix of professionally qualified staff throughout the Internal Audit Team to meet delivery requirements of the service.

10. Fraud and Corruption

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

11. Reporting Accountabilities

- 11.1 The majority of audit reviews include a formal audit report being produced and issued to management. The primary purpose of the audit report is:
- To provide an opinion on the effectiveness of the control framework operating for the mitigation of risks;
 - To make practical audit recommendations and agree management actions;
 - To prompt management action to implement audit recommendations for change leading to improvements in control and where applicable value for money and performance and;
 - To provide a formal record of points arising from an audit review and agreement with management.
- 11.2 Management are expected to implement all agreed recommendations within a reasonable timeframe. Each internal audit will be followed up normally within six months of issue, in order to ascertain whether agreed actions have been implemented effectively.
- 11.3 The Head of Audit & Business Risk reports regularly to the Audit Committee on progress made against the Annual Audit Plan and the summarised outcomes of individual audits.
- 11.4 The Head of Audit & Business Risk provides an Annual Internal Audit Report to the Audit Committee that includes an opinion on the adequacy and effectiveness of the control environment.

12. Responsibilities

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

Subject:	Strategic Risk Register		
Date of Meeting:	26 June 2012		
Report of:	Director of Finance		
Contact Officer:	Name:	Jackie Algar	Tel: 29- 1273
	Email:	Jackie.algar@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Audit & Standards Committee has a role to monitor and form an opinion on the effectiveness of risk management and internal control.
- 1.2 A key way to discharge this role is for the Committee to review the council's Strategic Risk Register which was updated by the Strategic Leadership Board on 9 May 2012.

2. RECOMMENDATIONS:

- 2.1 That the Audit & Standards Committee note the revised Strategic Risk Register (Appendix 1).

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The Strategic Risk Register details the current prioritised issues which affect the achievement of the council's priorities, including in relation to its work with others across the city. It is set by the Strategic Leadership Board and reviewed every six months, usually in May and November each year.
- 3.2 This Strategic Risk Register provides evidence of a risk aware and risk managed organisation. Generally, it reflects risk scenarios that will be common to comparable local authorities in this current period of change and financial challenge for the public sector.
- 3.3 Strategic Risk Management Action Plans will be updated or developed for each Strategic Risk and reported to the Committee in Part 2 of this meeting.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1 Consultation has taken place with the council's Strategic Leadership Board, the Corporate Management Team and with Cabinet Members in accordance with recommendations of the (previous) Audit Committee. To reflect the changes

made by agreement of the new Constitution (agreed May 2012), the Strategic Risk Register has been consulted on with representatives of all the political parties.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The Strategic Risk Register reflects a number of risks which have potential significant financial implications for the authority either directly or indirectly. The risk owners are responsible for overseeing the effective management of the risks through performance compacts and the Performance & Risk Management Framework.

Finance Officer Consulted: Anne Silley Date: 30/05/12

Legal Implications:

- 5.2 This report comes before Audit & Standards Committee in order for the Committee to discharge its function of providing independent assurance of the adequacy of the council's risk management and associated control environment.

Having reviewed the latest Strategic Risk Register, the Committee may, if it considers it appropriate, make recommendations to Full Council, Policy & Resources Committee, one or more officers or another relevant body in the council.

Lawyer Consulted: Oliver Dixon Date: 29/05/12

Equalities Implications:

- 5.3 There are no direct equalities implications. Equalities will be incorporated as appropriate across all Strategic Risks and Risk MAPs by the officers responsible for taking actions.

Sustainability Implications:

- 5.4 The risk management methodology includes identification and management of sustainability issues. There is a specific Strategic Risk, SR 8, which relates to Sustainability. However, Sustainability will be incorporated as appropriate across all Strategic Risks and Risk MAPs.

Crime & Disorder Implications:

- 5.5 There are no direct implications.

Risk and Opportunity Management Implications:

- 5.6 The Strategic Risk Register is evidence of risk management in operation and relates to changes to the council's operating framework.

Public Health Implications:

- 5.7 There are no direct implications.

Corporate / Citywide Implications:

- 5.8 There are no direct implications.

SUPPORTING DOCUMENTATION

Appendices:

1. Strategic Risk Register 2012/13 – reviewed May 2012.

Documents in Members' Rooms

None.



Background Documents

None.

Brighton & Hove City Council Strategic Risk Register 2012/2013 - reviewed by SLB May 2012

Risks are set out in order of Residual Risk Score (a combination of likelihood and impact)



See final page for information on risk scoring and terms used

Strategic Risk No.	Risk Title and Owner	Council Priority	Background and Risk Scenario and Potential Consequences	Risk Category	Initial Likelihood (L) Score	Initial Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Mitigating Controls and Actions currently include (but are not limited to)	Residual Likelihood (L) Score	Residual Impact (I) Score	Residual Risk Score L x I
2	Financial Outlook for the Council <i>Catherine Vaughan - Director of Finance</i>	ALL	<p>Background: Reductions in public services funding will continue beyond the current Comprehensive Spending Review period. There are major planned changes to local government funding with transfer some risk to the council.</p> <p>Risk Scenario: The council will need to continue robust financial planning in a highly complex environment</p>	Economic/ Financial	5	4	20  RED	<ul style="list-style-type: none"> ▪ Technical analysis of funding changes ▪ Design of two year budget process for 2013/14 and 2014/15 ▪ Update of Medium Term Financial Strategy alongside Corporate Plan refresh ▪ Improved communication with all stakeholders to enhance understanding of financial position and risks ▪ Broader consultation and engagement plan for budget setting including with business sector ▪ Close working with health for transfer of public health functions and Health & Well Being Board establishment 	4	4	16  RED ↕




Brighton & Hove City Council Strategic Risk Register 2012/2013 - reviewed by SLB May 2012

Risks are set out in order of Residual Risk Score (a combination of likelihood and impact)

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Strategic Risk No.	Risk Title and Owner	Council Priority	Background and Risk Scenario and Potential Consequences	Risk Category	Initial Likelihood (L) Score	Initial Impact (I) Score	Risk Score L x I (Dot indicates RA G rating)	Mitigating Controls and Actions currently include (but are not limited to)	Residual Likelihood (L) Score	Residual Impact (I) Score	Residual Risk Score L x I
11	Welfare Reform <i>Charlie Stewart – Strategic Director, Resources</i>	ALL	<p>Background: The government is implementing widespread welfare reforms. Council tax support impacts directly on the council and the reforms will impact on the city as a whole. Introduction of the Universal Credit initiative and changes to housing benefits are expected to have a wide-ranging impact on the council and the city.</p> <p>Risk Scenario: The proposed changes are complex to understand and plan for and have significant implications for the resources available to the council and how it organises itself to meet the impact of welfare reform on citizens eg: * vulnerable households, individuals and families * increased likelihood of people being unable to pay their housing costs (mortgage or rent) * increase in use of "spot purchase" Bed and Breakfast accommodation.</p>	Economic/ Financial	4	4	16  RED	<ul style="list-style-type: none"> Welfare Reform Board set up to co-ordinate understanding and efforts to mitigate risks Council Tax Support Project Board Wider Welfare Reform network group established comprising key partners across the city and reporting to the Public Service Board Programme management approach to Welfare Reforms Widespread engagement programme. 	4	4	16  RED New



Brighton & Hove City Council Strategic Risk Register 2012/2013 - reviewed by SLB May 2012
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Strategic Risk No.	Risk Title and Owner	Council Priority	Background and Risk Scenario and Potential Consequences	Risk Category	Initial Likelihood (L) Score	Initial Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Mitigating Controls and Actions currently include (but are not limited to)	Residual Likelihood (L) Score	Residual Impact (I) Score	Residual Risk Score L x I
9	Safeguarding vulnerable members of our community Terry Parkin - Strategic Director, People and Children's Services Denise D'Souza, Director of Adult Social Care	Tackling Inequality	Background: Safeguarding of Adults and Children require different responses, however the council is the lead agency with lead responsibility for both. Key issues are: * Personalisation is under development for Adults and the latest proposals from Government will require that some of our most vulnerable children also have personal budgets controlled by family members who may select from a greater pool of care providers which are unregulated. * There are 1800 children in the city for whom the council has a clear legal responsibility and numbers of referrals continue to increase. As with Adults, the number of referrals is unpredictable. This is further complicated by the Government announcement about changes to children with Special Educational Needs. As welfare reforms "bite" there is a risk that more families will become vulnerable. Risk Scenario: These changes will affect the council's ability to respond in a timely manner to safeguard the needs of the most vulnerable. Any change in the approach of risk management has the potential to impact on the council's resources and budget.	Customer/ citizen	4	5	20  RED	* Range of programmes in place to reduce risk, eg Alcohol Programme Board and Drug Intervention Programmes reducing the risk to both adults and children in families affected by drug and alcohol dependency * Identifying need early and providing early help through re-focusing of service priorities and ensuring this work is fully integrated with the council's new Troubled Families Initiative * Working with partners and others across children and adults services to improve understanding of threshold referrals so that risks can be better held in the community * Commissioners working with the Governance Board to ensure appropriate levels of training and support for staff delivering services with the council and council commissioned services * Looked After Children (LAC) a clear corporate priority to be overseen by the new Corporate Parenting sub-committee of Policy and Resources Committee.	3	5	15  RED 

Brighton & Hove City Council Strategic Risk Register 2012/2013 - reviewed by SLB May 2012

Risks are set out in order of Residual Risk Score (a combination of likelihood and impact)

See final page for information on risk scoring and terms used

Strategic Risk No.	Risk Title and Owner	Council Priority	Background and Risk Scenario and Potential Consequences	Risk Category	Initial Likelihood (L) Score	Initial Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Mitigating Controls and Actions currently include (but are not limited to)	Residual Likelihood (L) Score	Residual Impact (I) Score	Residual Risk Score L x I
3	<p>Pace and Volume of public sector change</p> <p>Charlie Stewart - Strategic Director, Resources</p>	ALL	<p>Background: All public services are affected by national reductions in spending and the wider reform agenda.</p> <p>Risk scenario: Financial constraints and significant reform affecting partner organisations, e.g. NHS and those engaged in Public Health and Wellbeing, may lead organisations to reframe their budgets and ways of working and therefore affect their ability to deliver plans as envisaged.</p> <p>Enhanced communication and joined up planning will be needed to ensure that the impacts on the city are well managed and there is clear agreement on the role of each organisation and its responsibilities.</p>	Customer/citizen	5	4	20 	<ul style="list-style-type: none"> Effective prioritisation through the Sustainable Communities Strategy and the Corporate Plan recently agreed by Council The Public Service Board (PSB) continues its work on joint commissioning: <ul style="list-style-type: none"> - Needs analysis which includes review of government reforms and their impacts; - Community Engagement - Intelligent Commissioning Pilots Better joint resourcing Ongoing work on "Total Place" PSB meet every 6 weeks to oversee the programme of work to tackle city issues, close working ensures that issues are known including those relating to financial constraints. 	5	3	15  RED ↕

Brighton & Hove City Council Strategic Risk Register 2012/2013 - reviewed by SLB May 2012

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10	Information Governance Management Charlie Stewart - Strategic Director, Resources	ALL	<p>Background: To ensure the council delivers openness and transparency for its citizens and stakeholders, it must operate to a high standard of information governance. With a view to continual improvement and to provide assurance, the council invited the Information Commissioners Office (ICO) to assess the council's arrangements.</p> <p>Risk Scenario: The council has an immature and developing information governance framework in place, but the challenge of consistent implementation remains. The council recognises that if it fails to manage data effectively then: * individuals may suffer loss or damage; * the council may suffer loss of reputation, financial penalties and/or other enforcement penalties; * it may result in a loss of trust in the council by citizens and partners and sub-optimal decision making.</p>	Customer/ Citizen	5	4	20 RED	<p>An action plan has been developed to focus on improvements identified by the ICO including: staff training and awareness; improved policy and guidance; a security review; and records management</p> <ul style="list-style-type: none"> Information Governance Steering Group oversee the management of the delivery of the work plan and action plan and report progress to the Information Management Board The council's ICT Business Unit contains a Security and Standards Team led by an Information Security Standards expert. The ICO will re-examine arrangements in late 2012. 	3	4	12 AMBER New

Brighton & Hove City Council Strategic Risk Register 2012/2013 - reviewed by SLB May 2012

Risks are set out in order of Residual Risk Score (a combination of likelihood and impact)

See final page for information on risk scoring and terms used

Strategic Risk No.	Risk Title and Owner	Council Priority	Background and Risk Scenario and Potential Consequences	Risk Category	Initial Likelihood (L) Score	Initial Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Mitigating Controls and Actions currently include (but are not limited to)	Residual Likelihood (L) Score	Residual Impact (I) Score	Residual Risk Score L x I
1	<p>Readiness for opportunities and impacts of localism</p> <p>David Murray - Strategic Director, Communities</p>	Engaging People Who Live & Work in the City	<p>Background: The broad remit of the localism agenda provides opportunities for all councils to deliver public services in new ways with greater involvement of communities in local issues. The council's approach to the implementation of neighbourhood governance has been designed to take advantage of this and manage its risks and impacts.</p> <p>Risk scenario: The localism agenda is a fluid and complex issue and the council will need to continue consultation and develop the approach to best fit the needs of the city and specific neighbourhoods.</p>	Professional/ Managerial/ Partnerships	4	4	<p>16</p> <p>RED  ↓</p>	<ul style="list-style-type: none"> Neighbourhood Council Working Group oversees development of new opportunities and legislative changes Strategic Directors that look in and out Council is investigating models of best practice (nationally and internationally) for community engagement; participatory budgeting; community involvement; use of social media Community Engagement Strategy in place and implemented Clear link between community development commissioning and neighbourhood governance established 	3	4	<p>12</p> <p>AMBER  ↔</p>



Brighton & Hove City Council Strategic Risk Register 2012/2013 - reviewed by SLB May 2012

Risks are set out in order of Residual Risk Score (a combination of likelihood and impact)



See final page for information on risk scoring and terms used

Strategic Risk No.	Risk Title and Owner	Council Priority	Background and Risk Scenario and Potential Consequences	Risk Category	Initial Likelihood (L) Score	Initial Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Mitigating Controls and Actions currently include (but are not limited to)	Residual Likelihood (L) Score	Residual Impact (I) Score	Residual Risk Score L x I
4	Economic Resilience and Sustainable Economic Growth Geoff Raw - Strategic Director, Place	Creating a more Sustainable City	<p>Background: The council has a significant role to champion the city economy to attract inward investment for the city. It can use its own land and property portfolio to contribute to this and a range of policy levers, e.g. housing, planning, economic development, leisure and tourism. Business Rate Retention changes the council's financial incentives to grow the economic base.</p> <p>Risk scenario: If the council does not do this effectively there is a risk the city's economy falters in the wake of difficulties in the national and international economy. This would affect the reputation of the city and city council in failing to sustain local businesses and attract new investment in the city.</p>	Economic/ Financial	4	4	16 RED	<p>Continue to develop the investment policy options in relation to the council's Asset Management Strategy</p> <ul style="list-style-type: none"> The Council continues to work closely with the Local Enterprise Partnership has successfully bid for £3M of Growing Places Fund for the i360 Council is exploring a variety of policy and financial levers to unlock sustainable growth (e.g. i360) Core Strategy will take account of new legislation affecting planning, including S106 requirements, and impacts on citizens, developers and businesses Launch an investment prospectus for the city in June 2012 at an Environmental Technology Show at the Amex Stadium 	3	4	12 AMBER

Brighton & Hove City Council Strategic Risk Register 2012/2013 - reviewed by SLB May 2012
Risks are set out in order of Residual Risk Score (a combination of likelihood and impact)
See final page for information on risk scoring and terms used

Strategic Risk No.	Risk Title and Owner	Council Priority	Background and Risk Scenario and Potential Consequences	Risk Category	Initial Likelihood (L) Score	Initial Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Mitigating Controls and Actions currently include (but are not limited to)	Residual Likelihood (L) Score	Residual Impact (I) Score	Residual Risk Score L x I
5	City wide employability Geoff Raw - Strategic Director, Place	Creating a more Sustainable City	<p>Background: The Council has an important role in supporting education and training providers in strengthening the labour force offer to employers & in addressing the legitimate employment aspirations of local communities.</p> <p>Risk Scenario: Failure to do this effectively could impact on the performance of the city's economy and employment resilience. There would be social and economic costs for individuals and overall costs to the public purse.</p>	Physical	4	4	16  RED	<ul style="list-style-type: none"> Engagement in Education Commission and commitment from head teachers to raise education performance Council support for City College in setting up a skills shop in Queens Road for an Apprenticeship Training Association (opened in April 2012) Council funds the Youth Employability Service (YES) to specifically support young people 16-18 who are Not in Education, Employment or Training Continual work, via the Public Service Board (PSB) and Local Strategic Partnership (LSP), with education, training & employment agencies to: <ul style="list-style-type: none"> Promote the City as a business location; Support the analysis of employer skills needs information; Inform the business planning of education, training & employment agencies; Co-ordinate public sector policy & interventions which optimise opportunities particularly for dis-advantaged people. 	3	4	12  AMBER ↔

Brighton & Hove City Council Strategic Risk Register 2012/2013 - reviewed by SLB May 2012
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Strategic Risk No.	Risk Title and Owner	Council Priority	Background and Risk Scenario and Potential Consequences	Risk Category	Initial Likelihood (L) Score	Initial Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Mitigating Controls and Actions currently include (but are not limited to)	Residual Likelihood (L) Score	Residual Impact (I) Score	Residual Risk Score L x I
8	Becoming a more sustainable city Geoff Raw - Strategic Director, Place	Creating a more Sustainable City	<p>Background: The council has an important civic leadership role in working with others to prepare the city for the current changing pattern of severe weather events and other longer-term impacts of climate change locally. This includes: * managing costs of operating buildings and facilities (e.g. fuel/energy/waste disposal) * reducing the environmental impact of its activities * planning for the impact of increasingly scarce resources such as water and land</p> <p>Risk Scenario: If the council fails to take effective action, it may affect: * ability to attract inward investment and environmental industries to the city * residents and businesses, if partners fail to plan for severe weather events, e.g. maintain essential routes and services to support vulnerable people * the city's longer term future climate change adaptation and increased resilience to increased costs of food, energy, materials * performance against stated targets and compliance with environmental legislation * ability to demonstrate the city's sustainability credentials in comparison with other similar cities</p>	Environmental/ Sustainability	3	4	12  AMBER	<ul style="list-style-type: none"> Landfill reductions as a result of Energy Recovery Facility at Newhaven Action plan to set out progress on all targets the council has to meet and quantify impact Low Carbon City (aka Zero Carbon) has informed the economic strategy and is factored into Strategic Commissions 2012/13 and 2013/14 Council support for the City Food Strategy and commitment to take on board findings in relation to the City Council's operations Carbon Management Programme Board in place to oversee internal carbon reduction Climate Change Strategy led by Climate Champions 	3	3	9  AMBER ↕



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RISK REMOVED

The Strategic Leadership Board agreed on 9 May 2012 to remove Strategic Risk 9 Changes to Local Government Finance (see below) and incorporate Business Rate Retention changes into the revised Strategic Risk 4 Economic Resilience and Sustainable Growth, and to create a new Strategic Risk 11 Welfare Reforms to include council tax changes and the government's introduction of Universal Credit.

Strategic Risk No.	Risk Title and Owner	Council Priority	Background and Risk Scenario and Potential Consequences	Risk Category	Initial Likelihood (L) Score	Initial Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Mitigating Controls and Actions currently include (but are not limited to)	Residual Likelihood (L) Score	Residual Impact (I) Score	Residual Risk Score L x I
9	Changes to Local Government Finance <i>Catherine Vaughan - Director of Finance</i> NOW REMOVED (see above)	ALL	<p>Background and Risk Scenario and Potential Consequences A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives (including contribution to the Sustainable Community Strategy)</p> <p>Background: The government is proposing major changes to the way local government is funded, reforms to the welfare benefits system and support for council tax.</p> <p>Risk Scenario: The proposed changes are complex to understand and plan for and have significant implications for the resources available to the council and how it organises itself in the medium term.</p>	Economic/ Financial	4	4	16  RED NOW REMOVED	<ul style="list-style-type: none"> Detailed responses on all major consultation documents produced Joint response on council tax benefits agreed across all Sussex authorities Ongoing lobbying on the critical issues for the city Further analysis of potential impacts and options for managing the risks 	4	4	16  RED NOW REMOVED

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Risk Scoring

The City Council uses this risk matrix to “score”, i.e. assess the likelihood and impact of the risk scenario occurring and its potential consequences if it did, and how it would affect achievement of the council’s objectives.

LIKELIHOOD	MOST LIKELY IMPACT				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Almost Impossible (1)	1	2	3	4	5

Terms Used

- Strategic Risk Register – a document which details the current prioritised issues which affect the achievement of the Council’s objectives, including in relation to its work with others across the city to address city priorities
- Strategic Risk No. – a unique number allocated to each strategic risk. As these risks are managed, these unique risks may be removed from the Strategic Risk Register and in that case, a gap in sequential numbering will arise
- Risk Scenario – a potential or actual risk or opportunity which needs to be managed in order to better achieve the council’s objectives
- Potential Consequences – those which may arise if the risk scenario occurs
- Initial Likelihood/Impact Scores – the initial score for the risk scenario before the current Mitigating Controls and Actions are considered
- RAG rating – a way to colour code risks to prioritise them. “RAG” derives from the initials of Red, Amber, Green although for risk management it is common to have the extra colour of Yellow
- Mitigating Controls and Actions – these are already in place and operating to reduce/mitigate the likelihood and/or impact of the risk scenario and potential consequences
- Residual Likelihood/Impact Scores – assessed after taking into account the Mitigating Controls & Actions to provide a more “realistic” prioritisation of risks compared against each other
- Risk Category – there is a standard list of risk categories which are designed to ensure a “rounded” consideration of risks from a number of different perspectives. By recording the Risk Category, it enables analysis across the risks contained in a risk register

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