





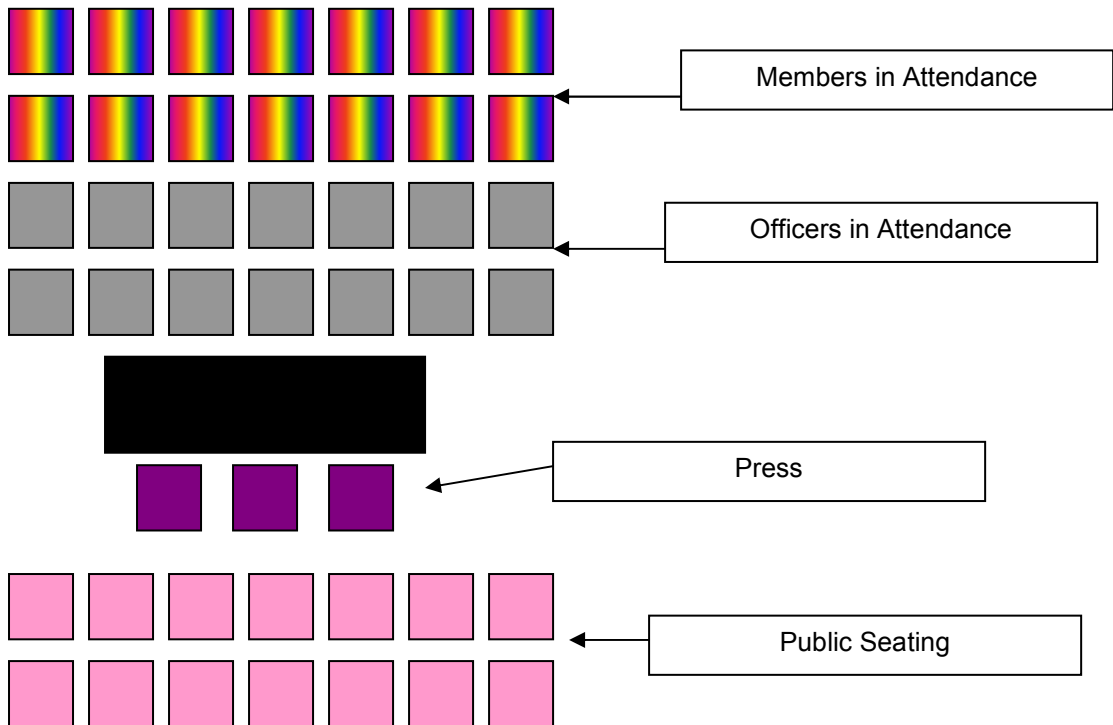
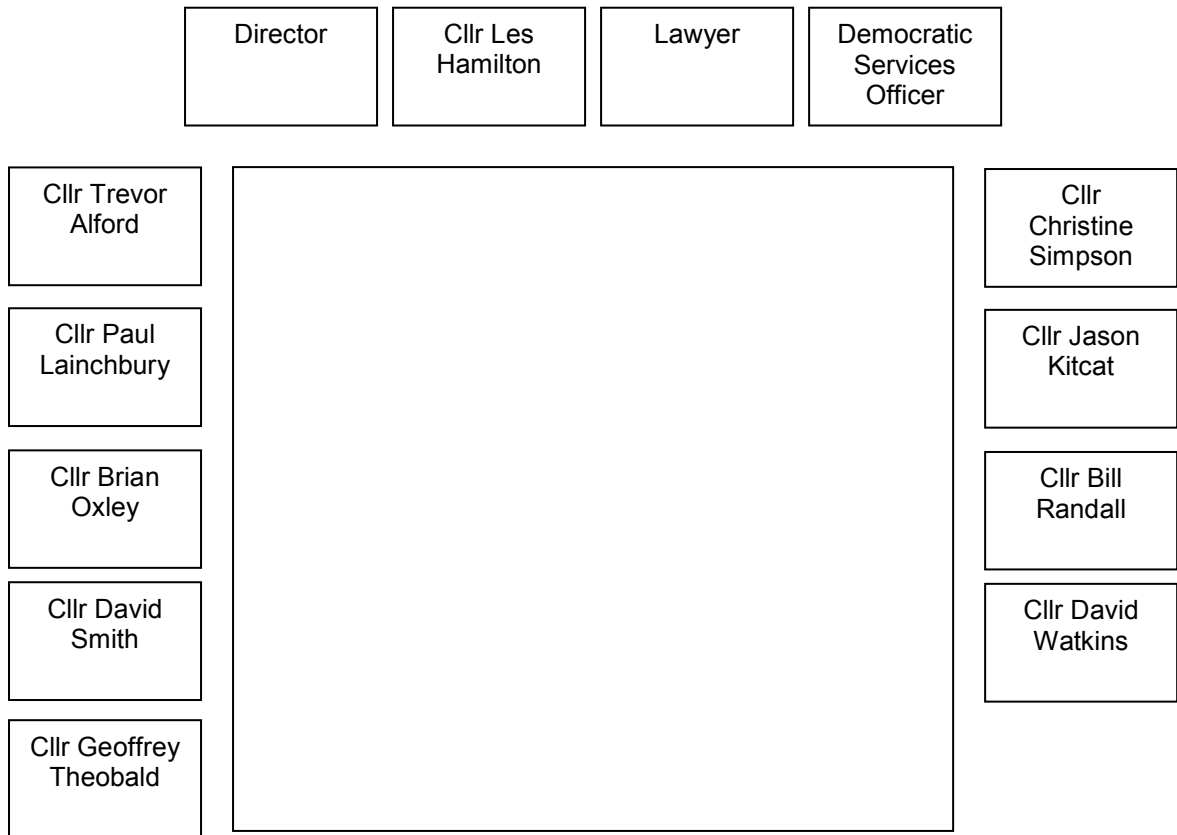
**Brighton & Hove
City Council**

Audit Committee

Title:	Audit Committee
Date:	26 June 2008
Time:	4.00pm
Venue	Committee Room 3, Hove Town Hall
Members:	Councillors: Hamilton (Chairman), Alford, Kitcat, Lainchbury, Oxley, Randall, Simpson, Smith, G Theobald and Watkins (Deputy Chairman)
Contact:	Penny Jennings Senior Democratic Services Officer 01273 291065 penny.jennings@brighton-hove.gov.uk

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Democratic Services: Meeting Layout



AGENDA

1. PROCEDURAL BUSINESS

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

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

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

2. CHAIRMAN' S COMMUNICATIONS

3. CALLOVER

4. PUBLIC QUESTIONS

(The closing date for receipt of public questions is 12 noon on 19 June 2008)

No public questions received by date of publication.

5. WRITTEN QUESTIONS FROM COUNCILLORS

No written questions have been received.

6. PETITIONS

No petitions received by date of publication.

7. DEPUTATIONS

(The closing date for receipt of deputations is 12 noon on 19 June 2008).

No deputations received by date of publication.

AUDIT COMMITTEE

8. LETTERS FROM COUNCILLORS

No letters have been received.

9. NOTICES OF MOTIONS REFERRED FROM COUNCIL

No Notices of Motion have been received.

10. AUDIT COMMITTEE: TERMS OF REFERENCE AND WAYS OF WORKING

1 - 2

Report of the Director of Strategy & Governance (copy attached).

Contact Officer: Penny Jennings *Tel:* 01273 291065

Ward Affected: All Wards

11. AUDIT COMMISSION: AUDIT AND INSPECTION PLAN 2008/09

Report of the Director of Finance & Resources and Director of Strategy & Governance (copy to follow).

Contact Officer: Janice Millman *Tel:* 01273 291080

Ward Affected: All Wards

12. STATEMENT OF ACCOUNTS 2007/08

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

Contact Officer: Jane Strudwick *Tel:* 01273 291255

Ward Affected: All Wards

13. SHOREHAM AIRPORT STATEMENT OF ACCOUNTS APRIL - JUNE 2006

Report of the Director of Finance & Resources (copy attached).

Contact Officer: Nigel Manvell *Tel:* 293104

Ward Affected: All Wards

14. SHOREHAM AIRPORT ANNUAL GOVERNANCE REPORT

Report of the Director of Finance & Resources (copy of report to follow).

Contact Officer: Nigel Manvell *Tel:* 293104

Ward Affected: All Wards

15. AUDIT & ASSURANCE ANNUAL REPORT AND OPINION 2007/08

3 - 26

Report of the Director of Finance & Resources (copy attached).

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

Ward Affected: All Wards

AUDIT COMMITTEE

- 16. ANNUAL GOVERNANCE STATEMENT** **27 - 58**
- Report of the Director of Finance & Resources (copy attached).
- Contact Officer:* Ian Withers *Tel:* 29-1323
Ward Affected: All Wards
- 17. TARGETED BUDGET MANAGEMENT (TBM) REVENUE OUTTURN 2007/08** **59 - 80**
- Report of the Director of Finance & Resources (copy attached).
- Contact Officer:* Nigel Manvell *Tel:* 293104
Ward Affected: All Wards
- 18. TARGETED BUDGET MANAGEMENT (TBM) CAPITAL OUTTURN 2007/08** **81 - 96**
- Report of the Director of Finance & Resources (copy attached).
- Contact Officer:* Stuart Taylor *Tel:* 29-1074
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.

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

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

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

For further details and general enquiries about this meeting contact Penny Jennings, (01273 291065, email penny.jennings@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

Date of Publication - Wednesday, 18 June 2008

AUDIT COMMITTEE

Agenda Item 10

Brighton & Hove City Council

Subject:	Terms of Reference		
Date of Meeting:	26 June 2008		
Report of:	Director of Strategy & Governance		
Contact Officer:	Name:	Penny Jennings	Tel: 29-1065
	E-mail:	Penny.jennings@brighton-hove.gov.uk	
Key Decision:	No		
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

1.1 This report is to inform the Audit Committee regarding its Terms of Reference as appearing in the Council's Constitution. This item is for noting and the Terms of Reference are set out below .

2. RECOMMENDATIONS:

(1) To note the Terms of Reference for the Audit Committee

Audit Committee

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.

AUDIT COMMITTEE

Agenda Item 15

Brighton & Hove City Council

Subject:	Audit & Assurance Annual Report and Opinion 2007/08		
Date of Meeting:	26th June 2008		
Report of:	Director of Finance & Resources		
Contact Officer:	Name: Ian Withers	Tel: 29-1323	
	E-mail: ian.withers@brighton-hove.gov.uk		
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

1.1 This purpose of the this report is to present to Members of the Audit Committee, summarises the internal audit activity for 2007/08 and based on this, an assurance opinion on the internal control environment. The full Annual Report and Opinion is provided at Appendix 1 and includes:

- Opinion on the City Council's internal control environment
- Internal audit coverage and output
- Annual internal audit performance 2007/08

1.2 The opinion contributed to the annual review of governance arrangements required by the Accounts & Audit Regulations 2006.

2. RECOMMENDATIONS:

(1) To note the internal audit activity and opinion on the control environment for 2007/08.

3. BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

3.1 The CIPFA Code of Practice for Internal Audit in Local Government 2006 (CIPFA) requires the Head of Audit & Assurance to deliver an Annual Report and Opinion to the City Council.

3.2 The background is contained within the Annual Report at Appendix 1.

4. CONSULTATION

- 4.1 A draft copy of the Annual Report and Opinion has been provided to the Chief Executive and Directors.

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

There is no direct financial implications arising from this report

5.2 Legal Implications:

Internal audit as provided by Audit & Assurance Services is a statutory requirement of the Accounts & Audit Regulations 2003. Assurance is also provided to the Director of Finance & Property as Section 151 Officer of the Local Government Act 1972.

5.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

5.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

5.5 Crime & Disorder Implications:

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

5.6 Risk and Opportunity Management Implications:

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

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 ion the Corporate Plan.

SUPPORTING DOCUMENTATION

Appendices:

1. Annual Report and Opinion 2007/08

Background Documents

1. Accounts & Audit Regulations 2003 (Amended 2006)
2. Code of Practice for Internal Audit in Local Government 2006 (CIPFA)
3. Internal Audit Plan 2007/08

Audit & Assurance Services

Annual Report and Opinion 2007/08



Ian Withers

Head of Audit & Assurance

June 2008

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I INTRODUCTION

Purpose of the report

1. The Accounts and Audit Regulations 2003 (Amended 2006) requires the City Council to maintain an adequate and effective system of internal audit. Proper practice under the regulations is defined in the Code of Practice for Internal Audit in Local Government (CIPFA) part of which is a requirement to provide an annual report to those charged with governance. The purpose of the report is to provide a summary of internal audit activity carried out during 2007/08, our performance and present as assurance opinion on the effectiveness of the City Council's internal control environment.
2. This is timed to also inform the City Council's Annual Governance Statement.
3. Our aim is to assist the City Council strive to achieve high standards of service delivery, governance and value for money by examining, evaluating and reporting on the internal control environment. This allows us to provide assurance and support to:
 - The Audit Committee in discharging its responsibilities in particular for overseeing an effective internal control environment
 - Annual review of the effectiveness of governance arrangements and production of the Annual Governance Statement
 - Director of Finance & Resources in discharging her responsibilities as designated Section 151 officer for financial stewardship
 - The Audit Commission as appointed external auditors, in particular for key financial systems and processes
 - Officers' Governance Board

Role of Internal Audit

4. Internal audit is a statutory requirement for local authorities under the Accounts & Audit Regulations 2006 (Amendment), which states that *'a relevant body shall maintain an adequate and effective system of internal audit of its system of internal control in accordance with proper internal audit practices.'*
5. It gives assurance to the City Council by providing an independent and objective opinion on the adequacy and effectiveness of its 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.
6. The City Council's internal audit function is provided by Audit & Assurance Services, part of the Finance & Resources Directorate, together with its partner Deloitte Public Sector Internal Audit Ltd.

II OPINION ON THE CITY COUNCIL'S INTERNAL CONTROL ENVIRONMENT

7. The level of assurance that we are able to provide is based on the internal audit work carried out during the year and it should be read in conjunction with the Annual Governance Statement for 2007/08. In assessing the level of assurance given, the following have been taken into account:
- The quality and performance of internal audit work;
 - Internal audit work completed during 2007/08;
 - Follow-up action taken following agreement and issue of final audit reports in 2007/08 and previous years;
 - Individual audit opinions given in internal audit reports;
 - Any significant recommendations not accepted by management and the consequence of those risks;
 - The extent to which resource constraints may limit the ability to meet the full internal audit needs of the council; and
 - Impact of significant changes to the internal control environment.

8. No assurance can ever be absolute; however based upon the internal audit work undertaken; our overall opinion is **that reasonable assurance can be provided that the system of internal control in place at the City Council for the year ended 31 March 2008 is operating effectively.** Overall it is our view that the City Council's internal control environment continues to improve.

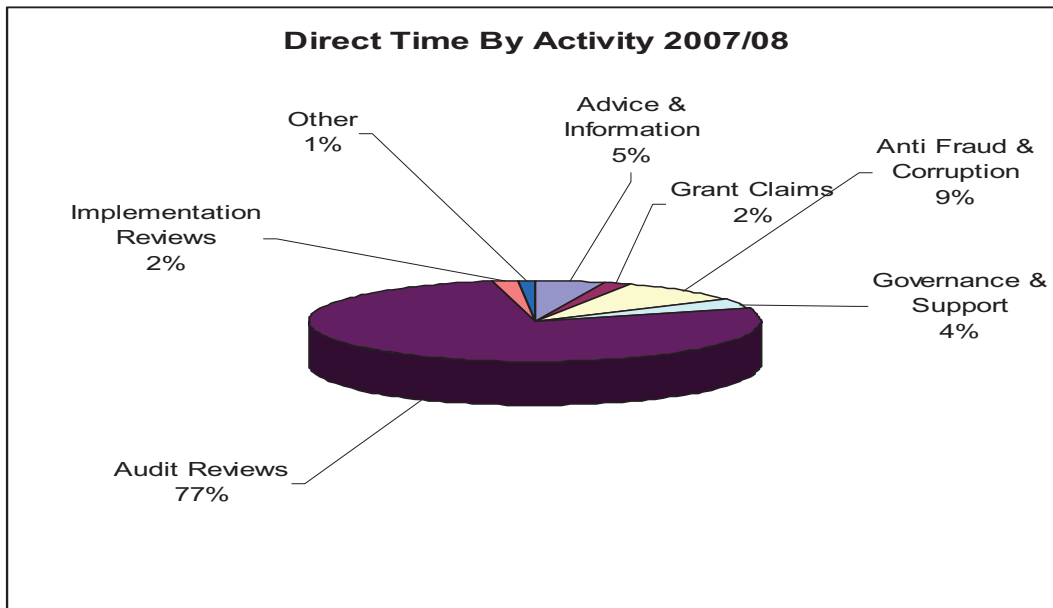
9. Our work during the year has identified specific actions for improvement and we will continue to review the effective implementation of these actions. We will report on a regular basis to the Audit Committee, on progress made and raise any inadequacy of implementation that results in residual risk to the council.

III INTERNAL AUDIT COVERAGE AND OUTPUT

Delivery of Internal Audit Plan 2007/08

10. The Internal Audit Plan for 2007/08 was agreed with the Chief Officers Management Team (TMT) and endorsed by the Audit Panel in March 2007. This was derived from the following sources:
- The Council's Risk Registers
 - Priorities identified through extensive consultations with senior management
 - Those audits carried out under 'Managed Audit' arrangements with external audit
 - An audit risk assessment of activity within each service area
11. The plan was continually reviewed and revised throughout the year to reflect emerging issues, risks etc and to be responsive to the changing needs of the City Council.

12. In total we delivered 1,828 direct days against a planned target of 2,100. The shortfall was due to a vacancy throughout the year of Principal Auditor and two further vacancies for Auditors that arose in quarter 4. Due to market conditions and the demand for internal auditors, we were unable to cover the shortfall in lost time with suitable agency staff. We are however currently recruiting for the vacant positions.
13. The Audit Manager was seconded throughout the year to the Integrated Waste Management Contract (IWMC) as Contract Manager. An interim manager was commissioned to undertake the role of Audit Manager but only part time (80%).
14. Direct time spent by activity is shown in the following chart:



Analysis of Internal Audit Reports Issued for 2007/08

15. Internal audit reports have been issued throughout the year, first as draft versions for discussion and agreement with relevant managers, then as final versions to Directors. Regular progress reports were issued to the Audit Panel throughout the year summarising the outcomes of the audit reviews reported.
16. A total of 87 internal audit reports were issued during 2007/08 against a target of 94. The difference is explained by reviews being either abandoned or deferred to 2008/09, principally due to changes within services and are agreed with management.
17. We have liaised closely with senior management throughout the year, to ensure that reviews undertaken continue to represent the best use of our resources in the light of new issues and risks emerging through change taking place. The outturn therefore includes a number of unplanned audit reviews.

18. Of the 87 internal audit reports issued, 12 (14%) still remain in draft although an improvement over the previous year of 21%. We will be giving priority to progressing these to final in the first quarter of 2008/09. Although the number in draft is considered to be reasonable, we will be reviewing our processes, liaising with management and the Audit Committee.

19. At the time of preparing this report, the overall position relating to planned and unplanned reviews is shown in the following tables IA to IG, including individual assurance levels given and actions to issues raised:

Table IA - Corporate Governance Arrangements

Audit	Report Status	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
CYPT Trust Governance Arrangements	Draft	Substantial	0	6	1
CYPT Quality Assurance Programme	Final	Reasonable	0	5	2
Fire Safety Regulatory Reform Orders	Final	Reasonable	0	10	0
Fire Safety Regulatory Reform Orders (Housing Specific)	Final	Limited	1	4	1
Asbestos Safety Requirements	Final	Reasonable	0	3	2
Business Continuity	Final	Reasonable	0	1	3
Risk Management	Final	Substantial	0	8	0
Business Planning Process	Final	Reasonable	0	7	1
Code of Conduct	Final	Reasonable	0	2	1
Equalities	Final	Substantial	0	4	1
Sussex Partnership Trust	Final	Reasonable	0	7	0

Table IB - Cross Cutting and Corporate Projects

Audit	Report Status	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
Data Quality	Draft	Reasonable	0	2	1
Cessation of External Funding Streams	Final	Reasonable	1	6	0
Delivery of Budget/Efficiency Savings	Final	Reasonable	0	3	0
Jointly Funded Posts	Draft	Reasonable	0	6	0
Personal Development Planning Scheme	Final	Limited	0	8	0
Flexible Working Scheme	Draft	Limited	0	7	0
Single Status Modelling	Final	Limited	0	4	0

Table IC - Key Financial Systems

Audit	Report Status	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
Main Accounting System	Final	Substantial	0	3	0
Creditors	Final	Reasonable	0	7	1
Debtors	Final	Reasonable	0	5	1
Capital Accounting & Expenditure	Final	Substantial	0	2	1
Treasury Management	Final	Full	0	0	0
Payroll	Draft	Limited	2	15	0
Council Tax	Final	Substantial	0	2	0
NNDR (Business Rates)	Final	Substantial	0	1	0
Housing Rents	Final	Substantial	0	5	2
Housing Benefits	Final	Substantial	0	3	0

Table ID - Procurement and Contract Management

Audit	Report Status	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
Contract Management Arrangements	Final	Reasonable	0	9	0
CYPT Contract Letting	Draft	Reasonable	0	8	1
Contract Management - Education PFI	Final	Reasonable	0	7	3
Home to School Transport	Final	Substantial	0	7	0
Waste PFI – Renegotiation of Contract	Final	Substantial	0	5	1
Contract Management - Leisure Management	Final	Reasonable	0	11	0
Contract Management – School Meals	Final	Substantial	0	0	2
E-Procurement	Final	Reasonable	0	9	0
Gas Servicing Contract	Final	Limited	1	2	0
Leisure Management Contract	Final	Substantial	0	9	2
Dunlop Haywards (Consultant Surveyors)	Final	Limited	2	8	0
Madeira Drive Capital Scheme	Final	Limited	6	3	0

Table IE - ICT & E-Government

Audit	Report Status	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
CareFirst Application	Final	Reasonable	0	5	1
OHMS Application	Final	Reasonable	0	1	4
CIVICA Financials Application	Final	Reasonable	0	6	3
End User Computing	Final	Substantial	0	4	3
iWorld Application	Final	Substantial	0	1	3
CIVICA Financial Post Implementation Review	Final	Limited	10	20	0
ICT Strategy and Planning	Final	Reasonable	0	4	4
Mobile Computing	Draft	Limited	2	5	0
Disaster Recovery	Draft	Limited	2	0	0
ICT Security Policy	Draft	Reasonable	0	5	0
Spydus Library Application	Final	Substantial	0	5	0
Data Protection	Final	Reasonable	2	4	7
SIMS FMS Microsoft SQL Upgrade	Final	Substantial	0	5	0

Table IF - Value for Money

Audit	Date Completed	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
Review of Performance Evaluation Report Actions on Adult Services	Final	Limited	0	2	0
Review of Performance Evaluation Report Actions on Childrens Services	Final	Limited	0	2	0
Housing Benefit Administration Costs	Final	Reasonable	0	3	0
Special Educational Needs	Final	Substantial	0	6	3
Leaving Care 16 Plus Support	Final	Limited	1	10	2
Libraries Service	Final	Substantial	0	5	2
Electronic Documents Records Management (EDRM)	Final	Reasonable	0	8	0
Accommodation Strategy	Final	Reasonable	0	3	0
Learning Disabilities	Final	Reasonable	0	5	0
Agency Staff (Neutral Vendor)	Final	Reasonable	0	4	0

Table IG - Service Specific

Audit	Date Completed	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
Professional Registration	Final	Limited	0	6	0
CRB Disclosure Process for Schools	Final	Reasonable	0	7	0
Youth & Connexions Service	Final	Substantial	0	4	1
Print & Sign Shop	Final	Substantial	0	6	0
On Street Car Parking	Final	Limited	0	3	0
Supporting People	Final	Reasonable	1	5	0
Bereavement Services	Final	Reasonable	1	3	0
Housing Cash Collections	Final	Substantial	0	4	2
Leasehold Service Charges	Final	Reasonable	0	3	0
Homelessness	Draft	Limited	2	15	0
Housing Voids – Reinstatement Repairs	Final	Reasonable	2	13	1
Election Expenses	Final	Substantial	0	1	0
Seafront Services	Draft	Substantial	0	3	1
Registrars Security	Final	Limited	6	4	0
Direct Payments	Final	Limited	0	8	3
School Admissions	Final	Substantial	0	2	0
RIPA Compliance	Draft	Reasonable	0	5	0
St Bartholomew C.E. Primary	Final	Substantial	2	10	9
St Mary's RC Primary	Final	Substantial	2	10	4
St Nicolas C.E. Primary	Final	Substantial	0	6	8
St Peter's Primary	Final	Substantial	2	15	3
Portslade Primary	Final	Limited	8	23	4
Dorothy Stringer Secondary	Final	Substantial	0	8	3
Longhill Secondary	Final	Substantial	0	7	7

Assurance Levels

20. Throughout the year we have provided audit opinions or degree of assurance on adequacy and effectiveness of controls, and management of risks in systems and processes audited. These are given in individual audit reports and shown in tables IA to IG above. Opinions are given according to a five-point scale (full, substantial, reasonable, limited and none).
21. A summary of audit opinions is shown in the Table 2 below for non schools and a comparison made against 2006/08. This shows a general improvement on the previous financial year, in particular the increased percentage of substantial assurance from 24% to 31%, reduction of limited and none from 32% to 24% and 2% to 0%

Table 2 - Audit Opinions

Audit Opinions	2007/08	2006/07
Full	1 (1%)	1 (1%)
Substantial	25 (31%)	23 (24%)
Reasonable	35 (44%)	38 (41%)
Limited	19 (24%)	30 (32%)
None	0 (0%)	2 (2%)

Agreed Management Actions/Audit Recommendations

22. Each internal audit review culminates in a report containing actions or recommendations to improve controls and the use of resources. These are discussed and agreed with management and included in management action plans together with responsibility and timescale for implementation.
23. Audit actions or recommendations are prioritised as high, medium and low depending on the level of assessed residual risk. A full explanation of the priority levels is given at Appendix B.
24. The number of agreed management actions resulting from internal audit reviews is summarised in Table 2 below.

Table 3 - Agreed Management Actions

Priority Levels of Agreed Management Actions	No
High	28
Medium	173
Low	45
Total	246

25. We undertake implementation reviews usually within six months from agreement and issue of the final audit report. From implementation reviews audits carried out during 2007/08, the level of full implementation of agreed actions is 85% of which 96% relates to high priority ones. Overall we consider this to be a reasonable level and that many managers are responding positively to implement agreed actions.

Anti-Fraud and Corruption Work

26. Our work covers all corporate internal fraud and corruption work. This includes increasingly proactive prevention work in managing the risk of fraud, detection and investigations.

27. During the year we received and investigated 75 referrals of suspected fraud and irregularities.. This represents a 79% increase in referrals from 2006/07 demonstrating a growing awareness of fraud both from staff and the public.

28. Of the 75 cases investigated, 47 have been closed or transferred and 28 work in progress cases carried forward to 2008/09. The cases investigated represent a variety of types of fraud and have resulted in a range of sanctions being applied.

29. The City Council participates in the Audit Commission's National Fraud Initiative (NFI) being a biannual data matching exercise to identify fraud and error. We have a lead role in co-ordinating the exercise at the City Council and undertaking any resulting investigations. Work on the NFI 2006-7 has been substantially completed resulting in a number of successful sanctions being applied and losses recovered. This was reported to the Audit Panel in March 2008.

30. During 2007/8 the City Wide Anti Fraud Campaign was completed for which we had a lead role. This resulted in significant reduction of fraud in areas such as council tax single persons discounts, benefits and insurance. This was again reported to the Audit Panel in March 2008.

31. In terms of other areas of proactive anti fraud and corruption work during 2007/08, we have:

- Updated our Fraud Risk Assessment both methodology and content;
- Delivered fraud awareness training and workshops in key service areas;
- Assessed the City Council's anti fraud framework against CIPFA Standard, "Managing the Risk of Fraud" and actions resulting;
- Undertaken key probity checks for financial systems using audit software;
- Establishing greater links with other anti fraud agencies;
- Established a corporate anti fraud group
- Use of City Council's Website

32. For 2008/09, proactive anti fraud work will be an important and increasing part of our work to detect and deter fraud.

Corporate Governance

33. During 2007/08 we continued to undertake a major role in reviewing and improving the effectiveness of the City Council's corporate governance arrangements. Together with the Strategy & Governance Directorate, we prepared and implemented a new Code of Corporate Governance.
34. In June 2007, CIPFA/SOLACE published a framework document, "Delivering Good Governance in Local Government". This was long awaited and provides an effective framework by which the City Council can measure its corporate governance arrangements. Working closely with the Audit Panel and Officers Governance Board, we completed a review of the corporate governance arrangements to prepare the City Council's Annual Governance Statement. The outcomes of our work is a key part, in providing the assurance required for review particularly in areas such as key financial systems, ICT, risk management and codes of conduct.
35. The effectiveness of the City Council's corporate governance arrangements and Annual Governance Statement will form a key part of the forthcoming CAA process for the Use of Resources.

Financial Management Standard in Schools (FMSiS)

36. Although the FMSiS has existed for a number of years, the DfES imposed the requirement in 2006/07 for all schools to be assessed for compliance once every three years. This commenced with all Secondary Schools for 2006/07 and continued in 2007/08 with 26 Primary and Special Schools, being a third of the total.
37. A key part of the process is the external assessment and we have been accredited by the DfES to undertake this work. In addition to the actual external assessments, a substantial amount of support has been provided to schools and this has been extremely well received.
38. 17 of the 26 schools were assessed as complying with the standard, awarded passes and the remaining 9 were given conditional passes under the assessment scheme by which they have two months to implement agreed actions. We are currently in the process of re-assessing the 9 schools.

Table 4 – FMSiS External Assessments Undertaken

School	Result
Balfour Junior	Pass
Bevendean Primary	Pass
Carden Primary	Pass
Cottesmore St Marys RC	Pass
Downs Junior	Conditional Pass
Elm Grove Primary	Conditional Pass
Goldstone Primary	Conditional Pass
Hangleton Junior	Pass
Mile Oak Primary	Pass
Moulsecoomb Primary	Conditional Pass
Rudyard Kipling Primary	Conditional Pass
Saltdean Primary	Conditional Pass
Somerhill Junior	Conditional Pass
St Andrews CE	Pass
St Lukes Junior	Pass
West Hove Infant	Pass
West Hove Junior	Pass
Westdene Primary	Pass
Woodingdean Primary	Pass
Whitehawk Primary	Conditional Pass
ACE	Pass
Cedar Centre	Pass
Downs Park	Pass
Downsview	Pass
Hillside	Pass
Patcham House	Conditional Pass

Working with External Audit

39. When forming an opinion on the City Council's financial statements, the External Auditor, the Audit Commission, relies upon our work. Our close working relationship with external audit continues to operate effectively to ensure audit coverage is co-ordinated and maximised for the benefit to the City Council.
40. We have continued to complete a significant and increasing amount of work on the external auditor's behalf including the review of key financial systems, performance indicators, data quality and grant claim verification. This has resulted in a significant decrease in external audit fees to the City Council.

IV INTERNAL AUDIT PERFORMANCE 2007/08

41. Agreed local performance indicators for internal audit were established and targets set as part of the Annual Internal Audit Plan for 2007/08. These were monitored throughout the year and reported to the Director of Finance & Resources.

Summary of 2007/08 performance data

42. These local performance indicators are generally quantitative and are shown in Table 4 below, actual performance against targets set. The actuals for 2006/07 are shown in brackets for trend analysis.

Table 4 - Performance Indicators Targets V Actuals

Completion of audits against the number identified in the Agreed Annual Internal Audit for 2007/08

Purpose of the performance indicator: to ensure that Audit & Assurance Services provides sufficient coverage to provide an adequate and effective internal service, to provide sufficient assurance to management on the City Council's system of internal control and meet the requirements of the Section 151 Officer and External Audit	
Target: 95	Achieved: 92.5% (2006/07 93%)

Turnaround times of audit reports

Purpose of the performance indicator: to ensure effectiveness of audit work in terms of timeliness and service delivery to clients.	
Target: Issue 100% of draft reports within 10 working days of completion of audit fieldwork	Achieved: 96% (2006/07 90%)
Target: Receive 100% of client responses within Client responses within 15 days of issue of draft reports.	Achieved: 88% (2006/07 90%)
Target: Issue of 100% of final audit reports within 10 days of agreement with clients	Achieved: 98% (2006/07 97%)

Client satisfaction levels of at least good or very good

Purpose of the performance indicator: to ensure Audit & Assurance Services provides a sufficient level of service in terms of quality and impact through adding value as required by its clients.	
Target: 92% of client satisfaction responses at least good or very good.	Achieved: 96% (2006/07 94%)

Reliance by External Audit on the work of Audit & Assurance Services

Purpose of the performance indicator: to ensure the audit coverage and quality is sufficient to meet the statutory requirements of external audit, including the International Standards of Auditing and beneficial in terms of reducing external audit fees to the City Council.	
Target: Reliance	Achieved: Reliance (2006/07 Reliance)

43. In addition to the monitoring and reporting of the above local performance indicators, we continuously review and improve our working practices aimed at ensuring we provide an excellent internal audit service to the council. The Accounts and Audit Regulations 2006 introduced a new requirement to conduct at least once a year a review of the effectiveness of internal audit. A review was undertaken during 2007/08 that included external peer challenge/examination and raised no significant concerns. This was reported to the Audit Panel in September 2007.
44. We participate in a national benchmarking exercise operated by the Chartered Institute of Public Finance. From previous benchmarking exercise we are generally in the upper quartile for the majority of areas. We are currently submitting the data for the 2007/08 exercise and the results will be reported to the Audit Committee as part of this year's Effectiveness Review.
45. The Comprehensive Performance Assessment (CPA) for Internal Control is considered to be in part, a reflection of the ongoing effectiveness of internal audit activity as it contributes to and influences the quality of the internal control environment. The 2007 CPA score for Internal Control was 3 out of 4 and although the same as 2006, individual components had improved. Our target is to achieve a score of 4 for which currently only 11 other local authorities achieve.

Appendix A**Definitions of Audit Opinions**

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

Appendix B**Definitions of Audit Recommendations**

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

Internal Audit Charter

1. Purpose

- 1.1 This purpose of this charter is to set out the purpose, role, responsibility, status and authority of internal auditing within Brighton & Hove City Council

2. Responsibilities & Objectives

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

3. Reporting Lines & Relationships

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

4. Independence and Accountability

- 4.1 Audit & Assurance Services are required to provide an objective and professional internal audit service. To this end it will be independent of the activities which it audits to ensure impartial and effective professional judgement and recommendations. To ensure this, Audit & Assurance Services operates within a framework that allows unrestricted access to senior management, reporting in its own name and segregation from line operations.
- 4.2 The existence of an internal audit function within the City Council does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well ordered manner.

5. Statutory Role

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

6. Consultancy and Advisory Role

- 6.1 Audit & Assurance Services also perform a consultancy or advisory role on an ad hoc basis or as part of the Annual Internal audit Plan, as requested by management. Reports from this type of work contain findings and recommendations particularly to add value to the City Council's services in achieving value for money in its use of resources.

7. Internal audit Standards

- 7.1 There is a statutory requirement for Audit & Assurance Services 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 2006

8. Internal audit Scope

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

9 Internal audit Resources

- 9.1 Audit & Assurance Services will ensure as far as possible that it appropriately staffed in terms of numbers, skills and experience. The Head of Audit & Assurance 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 & Assurance is responsible for ensuring that the resources of Audit & Assurance Services are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby he concluded that resources were insufficient, he must formally report this to the Director of Finance & Resources (Section 151 Officer) and the Audit Committee.

- 9.3 Where necessary to provide an adequate, effective and professional service the Head of Audit & Assurance will outsource internal audit work to supplement internal resources.
- 9.4 If Internal auditors are appointed from operational roles elsewhere within the City Council, they do not undertake an audit in that area directly within one year unless by prior agreement.

10. Fraud and Corruption

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

11. Reporting Accountabilities

- 11.1 A written internal audit report will be prepared for every audit carried out and issued to the appropriate manager responsible for the area under review. Internal audit reports will include an 'opinion' on the risk and adequacy of controls, which together will contribute to the annual audit opinion on the City Council's control environment.
- 11.2 Audit & Assurance Services will make practical recommendations based on the findings of the audit work and discuss these with management to establish appropriate action plans.
- 11.3 Management are expected to implement all agreed recommendations within a reasonable timeframe. Each internal audit will be followed up normally within six months of issue, in order to ascertain whether agreed actions have been implemented effectively.
- 11.4 The Head of Audit & Assurance reports regularly to the Audit Committee on progress made against the Annual Audit Plan and the summarised outcomes of individual audits.
- 11.5 The Head of Audit & Assurance Services 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 & Assurance Services will be conducted in accordance with the City Council's objectives, established policies and procedures. In addition, internal auditors comply with the Code of Practice for Internal Audit in Local Government (CIPFA).
- 12.2 Audit & Assurance Services will co-ordinate effectively with the Audit Commission (as the City Council's appointed external auditors) for optimal audit coverage and to ensure that appropriate reliance can be placed on internal audit work.
- 12.3 Audit & Assurance Services will work the internal audit functions of the City Council's partner organisations to ensure the robustness of controls and risk management arrangements, to protect the City Council's interests.

AUDIT COMMITTEE

Agenda Item 16

Brighton & Hove City Council

Subject:	Annual Governance Statement		
Date of Meeting:	26th June 2008		
Report of:	Director of Finance & Resources		
Contact Officer:	Name: Ian Withers	Tel: 29-1323	
	E-mail: ian.withers@brighton-hove.gov.uk		
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The City Council has a statutory duty under the Accounts and Audit Regulations 2003 (amended 2006), to publish an Annual Governance Statement.
- 1.2 The purpose of this report is to present to Members of the Audit Committee for comment, challenge and approval the assessment of the City Council's corporate governance arrangements and Annual Governance Statement.

2. RECOMMENDATIONS:

- (1) Consider and approve the annual assessment of the City Council's corporate governance arrangements.
- (2) Consider and approve the Annual Governance Statement for inclusion with the Statement of Accounts.
- (3) Note the City Council's continuing improvements on governance arrangements.

3. BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The Accounts and Audit Regulations 2003 (amended in 2006) introduced a requirement for local authorities to publish a statement on internal control as part of their annual statement of accounts. From 2007/08 this statutory duty has been superseded by the requirement to produce an Annual Governance Statement.
- 3.2 The City Council's Code of Corporate Governance (approved by Council in March 2008) provided the principles against which the effectiveness of the City Council's corporate governance arrangement is measured.

- 3.3 2007/08 is the first year that the Annual Governance Statement has been required. Members should note that the Chief Executive and Leader must sign the Statement which will be published with the Statement of Accounts.
- 3.4 Robust corporate governance arrangements are essential for the sound management of Brighton & Hove City Council and public confidence. It will also be an important factor in achieving a high score in the Comprehensive Performance Assessment (CPA) for the Use of Resources.
- 3.5 The review of corporate governance arrangements was carried out using guidance provided by the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE), to ensure it complies with best practice. Where applicable comparison was also made with corporate governance arrangements of other local authorities.
- 3.6 The Annual Governance Statement contains an action plan for where further improvements can be made to the City Council's governance arrangements. This together with previous actions reported and in progress, will be monitoring and progress reported to the Members of the Audit Committee.

4. CONSULTATION

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

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

Sound corporate governance and proper systems of internal control are essential to the financial health and reputation of the council.

5.2 Legal Implications:

The production of the statement meets the requirements of the Accounts and Audit Regulations 2003 (Amended 2006) and Comprehensive Performance Assessment.

5.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

5.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

5.5 Crime & Disorder Implications:

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

5.6 Risk and Opportunity Management Implications:

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

5.7 Corporate / Citywide Implications:

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

SUPPORTING DOCUMENTATION

Appendices:

1. Assessment of Corporate Governance Arrangements 2007/08
2. Annual Governance Statement 2007/08

Background Documents

1. Brighton & Hove City Council’s Code of Corporate Governance
2. CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2006
3. Accounts & Audit Regulations 2003 (Amended 2006)



Audit & Assurance Services

Assessment of Corporate Governance Arrangements 2007/08 (Compliance with City Council's Code of Corporate Governance)

(A002/2009)

Prepared by: Ian Withers
Head of Audit & Assurance
Date: June 2008

CORE PRINCIPLE 1: COMMUNITY FOCUS

Focusing on the purpose of the City Council and on outcomes for the community, and creating and implementing a vision for the local area

The functions of governance is to ensure that local authorities, other local government organisations or connected partnerships fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. This concept should guide all governance activity. Local government bodies need to develop and articulate a clear vision of their purpose and intended outcomes for citizens and service users that is clearly communicated, both within the organisation and to external stakeholders.

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
1. Exercising strategic leadership by developing and clearly communicating the City Council's purpose and vision and its intended outcome for citizens and service users	1.1 Develop and promote the City Council's purpose and vision	<ul style="list-style-type: none"> ▪ Vision, purpose and values ▪ Corporate Plan ▪ Sustainable Community Strategy ▪ Local Area Agreement ▪ Local Strategic Partnership ▪ Departmental Development Plans ▪ Team Plans ▪ Team Plans 	<p>The Corporate Plan (three year) containing the Corporate Priorities was not updated in 2007/08 due to change in the council's administration.</p> <p>Currently being updated and due to go to Cabinet for approval and publication in June 2008.</p> <p>A new business planning process was developed in 2007/08, one objective of which is to improve alignment of resources to objectives. This is going live in 2008/09.</p>
	1.2 Review on a regular basis the City Council's vision for the local area and its implications for the its governance arrangements	<ul style="list-style-type: none"> ▪ Sustainable Community Strategy ▪ Local Strategic Partnership ▪ Annual review of constitution ▪ Local Area Agreement including monitoring of delivery 	Compliant
	1.3 Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners.	<ul style="list-style-type: none"> ▪ Partnership protocols ▪ Code of Corporate Governance ▪ Local Area Agreement ▪ Local Strategic Partnership ▪ Sustainable Community Strategy 	Completion of Section 75 Agreement

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
	<p>1.4 Publish an annual report on a timely basis to communicate the City Council's activities and achievements, its financial position and performance</p>	<ul style="list-style-type: none"> ▪ Annual Report ▪ Statement of Accounts ▪ Annual Audit & Inspection Letter ▪ Comprehensive Performance Assessment (CPA) ▪ Annual Internal Audit Report ▪ External Auditor's Audit and Inspection Letter 	<p>Annual Report and Statement of Accounts produced for 2007/08 but contained principally financial information.</p> <p>Consideration being given to expanding the scope to include greater performance information.</p> <p>Improved access to tools and training for Financial Management.</p>
<p>2. Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning</p>	<p>2.1 Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.</p> <p>2.2 Put in place effective arrangements to identify and deal with failure in service delivery</p>	<ul style="list-style-type: none"> ▪ City Views 2007 ▪ Corporate Plan Monitoring ▪ Performance Monitoring/Indicators ▪ Team Planning Process ▪ LAA Performance Management Framework ▪ Corporate Complaints Procedure ▪ Performance Management System 	<p>The Corporate Plan (three year) containing the Corporate Priorities was not updated in 2007/08 due to change in the council's administration.</p> <p>Compliant</p>
<p>3. Ensuring that the City Council makes best use of resources and that the tax payers and service users receive excellent value for money (VFM)</p>	<p>3.1 Decide how VFM is to be measured and make sure that the City Council or partnership has the information needed to review VFM and performance effectively.</p>	<ul style="list-style-type: none"> ▪ Corporate Procurement Strategy ▪ CPA Use of Resources KLOE 5 ▪ Annual Efficiency Statement ▪ External Auditor's Audit and Inspection Letter ▪ Performance Indicators ▪ VFM Departmental Progress Reports ▪ Departmental Development Plans ▪ Team Plans ▪ HR MIS System to effectively manage workforce ▪ Externally measured (Audit Commission) VFM 'hotspots'. ▪ Medium Term Financial Strategy ▪ Performance Plan 	<p>PWC engaged to help build up knowledge, capability and skills internally to provide ongoing support to VFM reviews.</p> <p>Work programme developed for each directorate and VFM reviews being undertaken e.g. Adult Social Care.</p> <p>Development and introduction of training module for Value for Money in Contract Management required.</p> <p>Acquisition and implementation of HR MIS to enhance control and management of workforce.</p>

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
	3.2 Measure the environmental impact of policies, plans and decisions	<ul style="list-style-type: none"> ▪ Committee reports (sustainability implications) ▪ Team Planning/Business Planning Process 	Compliant

Reference Documents
 Strong and Prosperous Communities DCLG (October 2006)

CORE PRINCIPLE 2: COMMON PURPOSE
Members and officers working together to achieve a common purpose with clearly defined functions and roles

The governing body of an organisation has overall responsibility for directing and controlling that organisation. In local government the governing body is the full council or authority. Further information on the structure and roles of the local authority governing bodies is included in the guidance notes to the framework.

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
<p>1. Ensuring effective leadership throughout the City Council and being clear about executive and non-executive functions and the roles and responsibilities of the scrutiny function</p>	<p>1.1 Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the City Council's approach towards putting this in practice.</p> <p>1.2 Set out a clear statement of the respective roles and responsibilities of other City Council members, members generally and of senior officers.</p>	<ul style="list-style-type: none"> ▪ City Council's Constitution ▪ Minutes of meetings 	<p>Compliant</p> <p>Post implementation review of the City Council's Constitution to be completed after six months.</p>
<p>2. Ensuring that a constructive working relationship exists between City Council members and officers and that the responsibilities of members and officers are carried out to a high standard</p>	<p>2.1 Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the City Council, taking account of relevant legislation and ensure that it is monitored and updated when required.</p> <p>2.2 Make the Chief Executive responsible and accountable to the City Council for all aspects of operational management.</p>	<ul style="list-style-type: none"> ▪ City Council's Constitution (Scheme of Delegation) ▪ Job Descriptions of Officers and Members 	<p>No clear process for updating officer's job descriptions to reflect current duties. These should be reviewed at least annually as part of PDPS process.</p> <p>Consideration still being given to introduction of Members Job Descriptions</p> <p>Compliant</p>
		<ul style="list-style-type: none"> ▪ City Council's Constitution ▪ City Council's Constitution ▪ Job description/Person Specification of Chief Executive ▪ Performance Indicators 	<p>Compliant</p>

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
	<p>2.3 Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.</p>	<ul style="list-style-type: none"> ▪ Job Descriptions ▪ Member/Officer Protocol ▪ Annual review of constitution ▪ Regular meetings between the Leader and Chief Executive 	Compliant
	<p>2.4 Make a senior officer (the s151 officer) responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control</p>	<ul style="list-style-type: none"> ▪ Local Government & Housing Act 1989 - Section 151 Responsibilities ▪ City Council's Constitution ▪ Accounts & Audit Regulations 2003 (Amended 2006) ▪ Statutory reports ▪ Financial Regulations ▪ Job description/person specification ▪ Medium Term Financial Strategy ▪ Internal Audit Strategy and Charter ▪ Annual assurance opinion by Head of Audit & Assurance ▪ Financial implication on reports 	Compliant
	<p>2.5 Make a senior officer (usually the monitoring officer) responsible to the City Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</p>	<ul style="list-style-type: none"> ▪ Monitoring Officer Legislation ▪ Local Government & Housing Act 1989 – Section 5 ▪ City Council's Constitution ▪ Monitoring Officer Protocol ▪ Job Descriptions/person specification ▪ Performance Development Planning Scheme 	Compliant
<p>3. Ensuring relationships between the City Council, its partners and the public are clear so that each knows what to expect from the other</p>	<p>3.1 Develop protocols to ensure effective communication between members and officers in their respective roles</p>	<ul style="list-style-type: none"> ▪ Member/officer protocol 	Compliant

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
	<p>3.2 Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel.</p>	<ul style="list-style-type: none"> ▪ Independent Remuneration Panel ▪ Members Allowances Scheme ▪ Contracts of employment ▪ National pay scales 	<p>One area where work is still ongoing is the pay and grading review (Single Status) for comparability. Delays have occurred due to the complexity of pay and grading across the Council and potential risk of liability claims if get things wrong.</p>
	<p>3.3 Ensure that effective mechanisms exist to monitor service delivery.</p>	<ul style="list-style-type: none"> ▪ Corporate Plan ▪ Local Area Agreement ▪ Departmental Development Plans ▪ Team Plans ▪ PDP Process ▪ Budget Reports ▪ Periodic Performance Reports 	<p>Compliant</p>
	<p>3.4 Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.</p>	<ul style="list-style-type: none"> ▪ Corporate Plans ▪ Sustainable Community Strategy ▪ Departmental Development Plans ▪ Consultation ▪ Team Plans ▪ Neighbourhood Renewal Strategy ▪ Local Area Agreement ▪ Partnership Agreements 	<p>Compliant</p>
	<p>3.5 When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the City Council.</p>	<ul style="list-style-type: none"> ▪ Local Strategic Partnership ▪ Financial Regulations ▪ Partnership Agreements ▪ Partnership governance arrangements ▪ Members pack 2008 	<p>Compliant</p>
	<p>3.6 When working in partnership, ensure:</p> <ul style="list-style-type: none"> ▪ that there is clarity about the legal status of the partnership; and 	<ul style="list-style-type: none"> ▪ Local Strategic Partnership ▪ Partnership agreements ▪ Financial Regulations 	<p>Compliant</p>

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
	<ul style="list-style-type: none"> ▪ that representatives of organisations both understand and make clear to all partners the extent of their authority to bind their organisations to partner decisions. 		

Reference Documents

Changing Organisational Cultures, Audit Commission (2005)

CORE PRINCIPLE 3: CONDUCT AND BEHAVIOUR

Promoting values for the City Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Good governance flows from a shared ethos or culture, as well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or those of good governance can be expressed as values and demonstrated in behaviour.

Good governance builds on the seven principles for the conduct of people in public life that were established by the Committee on Standards in Public Life, known as the Nolan Principles. In England, the Local Government Act 2000 outlined ten principles of conduct – an additional three to those identified by Nolan.

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
<p>I. Ensuring City Council members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance</p>	<p>1.1 Ensure that the City Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect.</p> <p>1.2 Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the City Council, its partners and the community are defined and communicated through codes of conduct and protocols.</p>	<ul style="list-style-type: none"> ▪ Sustainable Community Strategy ▪ Members/Officers Codes of Conduct ▪ Member/officer protocol <ul style="list-style-type: none"> ▪ Standards Committee ▪ Local Standards Board for England ▪ Members/Officers Codes of Conduct ▪ Corporate Complaints procedure ▪ Anti-fraud and Corruption Strategy 	<p>Compliant</p> <p>Whistleblowing Policy updated in 2007/08 in respect of equalities. Internal audit review to be carried out in 2008/09.</p> <p>Anti Fraud & Corruption Strategy requires updating to take account of outcome of recent "Fraud Review" by Central Government.</p> <p>Audit & Assurance to lead on review on the internal communication of the Council's Policies to raise awareness and compliance. To further examine the feasibility of enhancing electronic delivery to Members and staff.</p>

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
	<p>1.3 Put in place arrangements to ensure that members and employees of the City Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.</p>	<ul style="list-style-type: none"> ▪ Standards Committee ▪ Member/Officer Codes of Conduct ▪ Fraud awareness training ▪ Declarations/Registers of Interests by Members and Officers ▪ Annual review of declaration of interests, gifts and hospitality ▪ Contract Standing Orders ▪ Financial Regulations 	<p>See above</p>
<p>2. Ensuring that organisational values are put into practice and are effective</p>	<p>2.1 Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners.</p>	<ul style="list-style-type: none"> ▪ Members/Officers Codes of Conduct 	<p>Compliant</p>
	<p>2.2 Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.</p>	<ul style="list-style-type: none"> ▪ Members/Officers Codes of Conduct (including reminders issued) ▪ Standards Committee (Terms of Reference & Reports) ▪ Scrutiny ▪ Local Investigation Regulations 	<p>Compliant</p>
	<p>2.3 Develop and maintain an effective standards committee.</p>	<ul style="list-style-type: none"> ▪ Standards Committee (Terms of Reference & Reports) 	<p>Compliant</p>
	<p>2.4 Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the City Council.</p>	<ul style="list-style-type: none"> ▪ City Council's Constitution ▪ Member/Officer Protocols 	<p>Compliant</p>

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
	2.5 In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	<ul style="list-style-type: none"> ▪ Partnership agreements ▪ Partnership governance arrangements (including objectives, protocols, roles, funding, dispute resolution) ▪ LSP Member Handbook 	Compliant

Reference Documents

Standards of Conduct in English Local Government: The Future ODPM (2005)

CORE PRINCIPLE 4: SCRUTINY & RISK MANAGEMENT

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Decision making within a good governance framework is complex and challenging. It must further the organisation's purpose and strategic direction and be robust in the medium and longer terms. To make such decisions, authority members must be well informed.

Members making decisions need the support of appropriate systems to help ensure that decisions are implemented and that resources are used legally and efficiently.

Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risk, decides on appropriate responses and then provides assurances that the chosen responses are effective.

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
I. Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	I.1 Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the City Council's performance overall and that of any organisation for which it is responsible.	<ul style="list-style-type: none"> ▪ City Council's Constitution ▪ Overview and Scrutiny Committee, Panels procedures rules ▪ Scrutiny Annual Report ▪ Individual Scrutiny Reviews 	Compliant
	I.2 Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.	<ul style="list-style-type: none"> ▪ Minutes of meetings and records of decisions ▪ Supporting reports and material ▪ City Council's website 	Compliant
	I.3 Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.	<ul style="list-style-type: none"> ▪ Members/Officers Codes of Conduct ▪ Declarations/Registers of Interest for Officers and Members ▪ City Council's Constitution 	Compliant

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
	<p>1.4 Develop and maintain an effective audit committee which is independent of the executive and scrutiny functions or make appropriate arrangements for the discharge of the functions of an audit committee.</p>	<ul style="list-style-type: none"> ▪ Audit Panel Terms of Reference ▪ Audit Panel Reports ▪ Audit Panel Annual Report ▪ Audit Panel Membership ▪ Assessment of effectiveness against best professional practice 	<p>For 2007/08 an Audit Panel operated reporting to OSOC. This has been replaced by a full Audit Committee for 2008/09.</p> <p>There is a training requirement for new members going from 4 to 10, on the role and specific areas of discharging duties.</p>
	<p>1.5 Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.</p>	<ul style="list-style-type: none"> ▪ Corporate Complaints Process 	<p>Compliant</p>
<p>2. Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs</p>	<p>2.1 Ensure that those making decisions, whether for the City Council or the partnership, are provided with information that is fit for purpose – relevant, timely, giving clear explanations of technical issues and their implications.</p>	<ul style="list-style-type: none"> ▪ Meeting agendas, minutes and reports ▪ Implications on reports e.g. legal and financial on all committee reports ▪ Data Quality Strategy ▪ Training for members (induction and on-going) ▪ Members Pack 2008 (Members Handbook) 	<p>Compliant</p>
	<p>2.2 Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.</p>	<ul style="list-style-type: none"> ▪ Committee reports/protocols ▪ Implications on reports e.g. legal and financial on all committee reports ▪ Guidance/training to Officers 	<p>Compliant</p> <p>Process being improved for 2008/09 with revised format for reports.</p>

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
<p>3. Ensuring that an effective risk management system is in place</p>	<p>3.1 Ensure that risk management is embedded into the culture of the City Council, with members and managers at all levels recognising that risk management is part of their jobs.</p>	<ul style="list-style-type: none"> ▪ Risk Management Strategy ▪ Corporate/departmental risks ▪ Internal audit reports ▪ Risk management training ▪ Risk assessments (e.g. major projects) and Risk workshops ▪ Risk management reports ▪ Risk registers (corporate and departmental) ▪ Departmental Development Plans ▪ Team Planning Process ▪ Risk implications in reports 	<p>Risk Management Strategy being updated with greater emphasis on opportunities and partnerships.</p> <p>Business Continuity Planning to be reviewed in relation to partnerships, significant contractors and specifically relating to ICT resilience.</p>
	<p>3.2 Ensure that effective arrangements for whistle-blowing are in place to which officers, staff and all those contracting with or appointed by the City Council have access.</p>	<ul style="list-style-type: none"> ▪ Whistle-blowing policy ▪ Awareness campaigns of policy e.g. posters, messages to staff, training 	<p>Compliant</p> <p>Process to be reviewed by Audit & Assurance Services in 2008/09 and internal campaign to raise further awareness.</p>
<p>4. Ensuring that authorities use their legal powers to the full benefit of the citizens and communities in their areas</p>	<p>4.1 Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities.</p>	<ul style="list-style-type: none"> ▪ Monitoring Officer Legislation ▪ Local Government and Housing Act 1989 Section 5 ▪ City Council's Constitution ▪ Training and qualified officers (PDPS Scheme, CPD) 	<p>Compliant</p>

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
	<p>4.2 Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law.</p>	<ul style="list-style-type: none"> ▪ Monitoring Officer Legislation Local Government and Housing Act 1989 Section 5 ▪ Review of reports by Monitoring Officer Training and qualified officers (PDPS Scheme, CPD) 	Compliant
	<p>4.3 Observe all specific legislative requirements placed on them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes.</p>	<ul style="list-style-type: none"> ▪ Monitoring Officer Legislation Local Government and Housing Act 1989 Section 5 ▪ City Council's Constitution ▪ Training and qualified officers (PDPS Scheme, CPD) 	Compliant

Reference Documents

<p>Management of Risk Principles and Concepts: The Orange Book, HM Treasury (2004) Audit Committee: Practical Guidance for Local Authorities, CIPFA (2006)</p>

CORE PRINCIPLE 5: EFFECTIVE CAPACITY

Developing the capacity and capability of members and officers to be effective

Effective local government relies on public confidence in authority members, whether elected or appointed, and in officers. Good governance strengthens credibility and confidence in our public services. Authorities need people with the right skills to direct and control them effectively. Governance roles and responsibilities are challenging and demanding, and authority members need the right skills for their roles. In addition governance means drawing on the largest possible pool of potential members to recruit people with the necessary skills.

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
1. Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	1.1 Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.	<ul style="list-style-type: none"> ▪ Members and Officers induction training ▪ Members Training Plan ▪ Officer's PDPS Scheme i.e. Learning & Development Plans ▪ IIP accreditation (limited) 	Training requirements of Members for constitutional change being addressed.
	1.2 Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the City Council.	<ul style="list-style-type: none"> ▪ Officer's PDPS Scheme ▪ Job descriptions ▪ City Council's Constitution ▪ Scheme of delegation ▪ IIP accreditation (limited) ▪ Job descriptions/person specifications 	Issue over the regular review and updating of Job Descriptions.
2. Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group	2.1 Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.	<ul style="list-style-type: none"> ▪ Officer's PDPS Scheme ▪ Learning and Development Plans ▪ Members induction training ▪ Team Plans ▪ Members Training Programme ▪ Continued Professional Development (CPD) of professional institutes/bodies ▪ IIP accreditation (limited) 	<p>IIP accreditation to be undertaken for all departments</p> <p>Pay and Workforce Strategy to be reviewed, updated and approved.</p> <p>People Strategy to be developed</p>

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
	<p>2.2 Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert help is needed.</p> <p>2.3 Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs.</p>	<ul style="list-style-type: none"> ▪ Member Training Programme ▪ Officer's PDPS Scheme 	Compliant
		<ul style="list-style-type: none"> ▪ Overview and Scrutiny ▪ Performance Management ▪ City Council's Constitution ▪ Scrutiny arrangements 	Compliant
<p>3. Encouraging new talent for membership of the City Council so that best use can be made of individual's skills and resources in balancing continuity and renewal</p>	<p>3.1 Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, and contribute to and participate in the work of the City Council.</p>	<ul style="list-style-type: none"> ▪ Local Strategic Partnership ▪ Citizens Views 2007 ▪ Local Area Agreement ▪ Equalities Policy ▪ Budget consultation meetings ▪ City Council's website ▪ Charter Mark (limited to certain areas) ▪ Housing stock transfer tenants consultation and vote 	Compliant
	<p>3.2 Ensure that career structures are in place for members and officers to encourage participation and development.</p>	<ul style="list-style-type: none"> ▪ Officer's PDPS Scheme i.e. Learning & Development Plans ▪ Member development 	<p>People Strategy to be developed, approved and introduced.</p> <p>Officers grading structure very rigid and not an incentive for development. Absence of career and promotion based on merit.</p>

CORE PRINCIPLE 6: ENGAGEMENT AND ACCOUNTABILITY
Engaging with local people and other stakeholders to ensure robust public accountability

Local government is accountable in a number of ways. Elected local authority members are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All members must account to their communities for the decisions they have taken and the rationale behind those decisions. All authorities are subject to external review through the external audit of their financial statements. They are required to publish their financial statements and are encouraged to prepare an annual report. Many are subject to national standards and targets.

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
I. Exercising leadership through a robust scrutiny function which effectively engages local people and all institutional stakeholders, including partnerships, and develops constructive accountability relationships.	I.1 Make clear to themselves, all staff and the community to whom they are accountable and for what.	<ul style="list-style-type: none"> ▪ City Council's Constitution ▪ Overview and Scrutiny Committee/procedures rules ▪ Scrutiny Panels (Including Audit) ▪ Annual Scrutiny Report ▪ Partnership agreements 	Compliant
	I.2 Consider those institutional stakeholders to whom the City Council is accountable and assess the effectiveness of the relationships and any changes required.	<ul style="list-style-type: none"> ▪ Sustainable Community Strategy ▪ Local Strategic Partnership ▪ Local Area Agreement 	Compliant
	I.3 Produce an annual report on the activity of the scrutiny function.	<ul style="list-style-type: none"> ▪ Annual Scrutiny Report 	Compliant

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
<p>2. Taking an active and planned approach to dialogue with, and accountability to, the public to ensure effective and appropriate service delivery, whether directly by the City Council, in partnership or by commissioning</p>	<p>2.1 Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively.</p>	<ul style="list-style-type: none"> ▪ Community strategy ▪ Communications Strategy ▪ Local Strategic Partnership ▪ Local Area Agreement ▪ Citizens Views 2007 ▪ Staff Survey ▪ Charter Mark (limited to certain services) 	<p>Review of the corporate consultation and communications policies.</p>
	<p>2.2 Hold meetings in public unless there good reasons for confidentiality.</p>	<ul style="list-style-type: none"> ▪ City Council's Constitution ▪ Meeting minutes 	<p>Compliant</p>
	<p>2.3 Ensure that arrangements are in place to enable the City Council to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.</p>	<ul style="list-style-type: none"> ▪ Sustainable Community Strategy ▪ Local Area Agreement ▪ Budget Consultation 	<p>Compliant</p>
	<p>2.4 Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about, including a feedback mechanism for those consulted to demonstrate what has changed as a result.</p>	<ul style="list-style-type: none"> ▪ Annual Report ▪ Scrutiny reports 	<p>Compliant</p>

Detailed Statement	Requirement for City Council	Compliance Evidence by: Source Documents/Processes	Evaluation and actions required to achieve full compliance
	<p>2.5 On an annual basis, publish a performance plan giving information on the City Council's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.</p>	<ul style="list-style-type: none"> ▪ Corporate Plan ▪ Sustainable Community Strategy ▪ Annual Report ▪ Statement of Accounts ▪ Council Tax Leaflet ▪ Performance Plan ▪ Medium Term Financial Strategy 	Compliant
	<p>2.6 Ensure that the City Council as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.</p>	<ul style="list-style-type: none"> ▪ City Council's Constitution ▪ Corporate Plan ▪ Freedom of Information Act compliance ▪ Publication Scheme ▪ Whistleblowing Policy ▪ Anti Fraud & Corruption Strategy ▪ Declarations of Interests, Gifts and Hospitality Policy 	Compliant
<p>3. Making best use of human resources by taking an active and planned approach to meet responsibilities to staff</p>	<p>3.1 Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.</p>	<ul style="list-style-type: none"> ▪ City Council's Constitution ▪ Staff Survey ▪ Staff Conferences ▪ Departmental Staff Gatherings ▪ Team Meetings ▪ TMT and DMTs ▪ City Council's Intranet ▪ Trade Union Protocols 	Compliant

Reference Documents
<p>Governing Partnerships: Bridging the Accountability Gap, Audit Commission (2005) The Good Governance Standard for Public Services, The Independent Commission on Good Governance in Public Services (2004)</p>



**ANNUAL GOVERNANCE STATEMENT FOR
THE YEAR ENDED 31ST MARCH 2008**

Corporate governance is the system by which the council directs and controls its functions and relates to the community. A key aspect of corporate governance is the requirement to put into place “effective risk management systems, including systems of internal control”. Brighton & Hove City Council is committed to the highest standards of corporate governance as outlined in this Annual Governance Statement.

APPENDIX 2

Annual Governance Statement for the year ended 31st March 2008

1. BACKGROUND

In discharging this overall responsibility, the council is also responsible for ensuring that there is a sound system of Corporate Governance which facilitates the effective exercise of the council functions and which includes arrangements for the management of risk.

The Department of Communities and Local Government recognise “proper practice” in relation to Corporate Governance, as contained in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2007)*. The new “proper practice” builds on existing disclosure statement requirements by extending the existing legislative requirements, governance principles and management processes relating to the whole organisation and the activities through which it accounts to, engages with and leads its community.

This Annual Governance Statement summarises how the council has complied with the code.

2. SCOPE OF RESPONSIBILITY

Brighton & Hove City Council through its elected Members and officers, is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, Members and officers are responsible for putting in place and maintaining, proper arrangements for the governance of the council affairs and the stewardship of the resources at its disposal. To this end the council has approved and adopted a Constitution and a Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on our website www.brighton-hove.gov.uk.

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

3. THE GOVERNANCE FRAMEWORK

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

For 2007/08 the overall governance responsibilities were charged to the Policy & Resources Committee. As result of the recent constitutional change this has now moved for 2008/09 onwards, to the Audit and Governance Committees.

APPENDIX 2

The role of approving this Statement and recommending the Code of Corporate Governance for adoption by full council falls to the Audit Committee. Also the responsibility for the approval of the Statement of Accounts and the subsequent Audit Commission Governance Report falls to the Audit Committee.

The council has agreed a constitution which sets out how the council operates, how decisions are made and the processes which are followed to ensure these are efficient, transparent and accountable to the community. Many of these processes are required by statute, while the council has determined others locally. The Constitution is divided into seventeen articles that set out the basic rules governing the council business.

4. POLICY AND DECISION MAKING

In discharging its statutory duties in the provision of services the constitution provides details of the decision making process for the council as a whole.

The council's constitution is available on our website and is reviewed by the Monitoring Officer on a regular basis and regular reports are received by the Governance Committee and council relating to proposed changes. The Executive are responsible for taking most operational decisions. Key decisions required are published in advance via the forward plan, which is published at monthly intervals. All Member meetings held by the council are open to the public, unless the items being discussed are considered to be private under the Local Government Act 1972; these will include staffing, legal matters and those of a contractual nature.

The council's Overview and Scrutiny Commission and a further five Overview and Scrutiny Committees scrutinise all matters, executive decisions and service provision.

5. ESTABLISHING AND MONITORING OF CORPORATE AND SERVICE OBJECTIVES

The council three year Corporate Plan is approved by Members and provides details of the council corporate priorities and targets for the forthcoming year and reports its performance for the previous year. Targets are reviewed and updated on an annual basis. Copies can be found on our website at: <http://www.brighton-hove.gov.uk>. Due to a change in the council's political administration during 2007/08, the updating of the Corporate Plan was not completed during the year. However the updated version is due to go to Cabinet in June 2008 for approval.

The Corporate Plan contains the Corporate Priorities of the council and these are fed down through to directorate development plans, individual service business plans and individual performance appraisals, the "Golden Thread".

This Corporate Plan sets out the council targets for both National and Local Performance Indicators. These targets are cascaded to service business plans and are time specific. Performance is monitored by the Chief Officers Management Team (TMT) and the Executive on a quarterly basis giving details of the progress to date and what management action is being taken to correct any adverse performance.

6. USE OF RESOURCES

The effective targeting and usage of our resources has always been a corporate priority, and this is achieved in several ways.

The council produces a three year Medium Term Financial Strategy (MTFS), annual budget setting and service business planning.

The council is subject to an annual assessment by the Audit Commission on how well it manages and uses its resources and is an important part of the Comprehensive Performance Assessment (CPA) framework. The Use of Resources (UoR) assessment evaluates how well local authorities manage their resources to support their strategic priorities, improve services and deliver value for money. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance, value for money and effective financial reporting arrangements. These should support the council in the achievement of its priorities and improving services, whilst delivering value for money.

The Assessment covers five themes: financial reporting, financial management, financial standing, internal control and value for money. The council was assessed principally on its 2006/07 performance and the Audit Commission reported the outcome in December 2007. Their overall conclusion is that *the council has maintained strong arrangements in place for financial management and internal control and that it continues to develop its arrangements to manage and improve value for money.*

The report issued by the Audit Commission on the outcome of the Assessment was presented to Members in March 2008 and identified further areas for improvement and officers are planning actions to address these.

7. COMPLAINTS AND CONFIDENTIAL REPORTING POLICIES

The council operates a formal complaints procedure which is available to both staff and stakeholders either on request or on the council website. The procedure is well documented and complaints referred to the Local Government Ombudsman are reported at every Standards Committee. Outcomes and decisions are summarised in each of these reports. There have been no findings of maladministration against the council for 2007/08.

The council also has a Whistleblowing Policy along with an Anti Fraud Strategy. Staff are informed of these at their induction and are reminded on a regular basis. Both the Whistleblowing Policy and Anti Fraud Strategy are reviewed and updated where necessary on a regular basis.

8. COMPLIANCE

The council has a duty to ensure that all activities undertaken are in accordance with the law. This is discharged in part by the council's Financial Regulations and Contract Standing Orders. Other policies or strategies covering both internal and external issues are available to staff and the public via the council intranet and internet sites respectively and can be found on the council website at www.brighton-hove.gov.uk . These include:

- Anti-fraud Strategy
- Whistleblowing Policy
- Freedom of Information
- Anti-money Laundering Policy

All strategies or policies are allocated to a lead officer who is responsible for the periodic review and updating of each.

9. REVIEW OF EFFECTIVENESS

The effectiveness of the council corporate governance arrangements is demonstrated by a range of independent procedures and protocols, including:

- Officers Governance Group procedures and associated actions
- Financial management reporting
- Performance management reporting
- Cabinet, Audit and Governance Committees
- Overview and Scrutiny function
- Statutory Officers (Head of Paid Service, Monitoring Officer, S151 Officer and authorised deputies)
- Internal Audit

Collectively these form the basis of the council arrangements and are further validated by independent assessments from various external agencies including:

- External Audit (financial and CPA assessment)
- External Inspectorates

The Director of Strategy & Governance has the responsibility for overseeing the implementation and monitoring the operation of the council's Code of Corporate Governance. This is supported by the continuous internal audit work undertaken by Audit & Assurance Services.

The council has a duty to maintain an effective internal audit service. This responsibility is discharged by the Director of Finance and Resources. The scope of internal audits encompasses the examination and evaluation of the adequacy and effectiveness of the council control environment as a contribution to the proper, economic, efficient and effective use of resources and achievement for value for money.

APPENDIX 2

Audit & Assurance Services undertakes internal audit work in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The outcome of individual audits results in assurance opinions being provided and reported to management on the effectiveness of internal controls and management of risks operating.

In March of each year for the forthcoming financial year, the Annual Internal Audit Strategy and Annual Plan is reported to and agreed by the Chief Officers Management Team (TMT) and the Audit Panel. During 2007/08 regular progress reports were made to the Audit Panel including key issues and recommendation arising from audits undertaken. From 2008/09 onwards, the responsibility will change from the Audit Panel to the Audit Committee.

Significant Internal Audit reviews on governance arrangements (e.g. partnership), internal control, risk management, business planning and system development/implementation have been completed during 2007/08 and reported accordingly. In all these areas the council has shown improvement.

The Head of Audit & Assurance Services provides an assurance opinion to the Audit Committee in June 2008 on the council overall control environment and management of risks operating, based on the reviews completed (and management actions taken) in respect of 2007/08.

The effectiveness of the system of internal audit is reviewed on an annual basis, evidence for which includes self assessment against best professional practice, benchmarking data and external audit views. This is subjected to external peer review and for 2007/08 was reported to the Audit Panel including an agreed action plan for any improvements required.

The council externally appointed auditors for the 2007/08 financial year were the Audit Commission; they principally audit the Statement of Accounts and Comprehensive Performance Assessment. For 2007/08 reports issued by the Audit Commission were presented to the Audit Panel for consideration and comment. For 2008/09 they will report to the Audit Committee.

Risk management is a key element within Corporate Governance, to this end a Risk Management Strategy was adopted and sets out the roles of Members and Officers. It is reviewed annually and for 2007/08 it was agreed by The Management Team, Policy & Resources Committee and Council.

The risk registers that flow from the strategy cover both strategic and operational risks and are reviewed annually as part of service and strategic planning. To ensure that risk is considered in key decision making, all reports presented to Members must include a risk assessment of the actions within the report.

Furthermore, partnership working is now becoming more prevalent within local government, and both the Constitution and Risk Management Strategy are currently being updated to take account of this wider working.

10. SIGNIFICANT GOVERNANCE ISSUES ARISING

The Annual Governance Statement encompasses the previous Statements on Internal Control. Actions from previous years either complete or in progress are shown as follows:

Actions Completed

- Introduction of a new council constitution
- Introduction of revised Code of Conduct for Members
- Introduce revised Code of Corporate Governance in accordance with the CIPFA/SOLACE Framework
- Undertaken major consultation exercises with the community for City Views 2007 and Schools Admissions
- Completion of city wide anti fraud campaign “Stamping out Fraud”
- Improvements to the controls and monitoring for the reconciliation of the Financial Information Systems with key interfaced systems
- Introduction of a comprehensive Value for Money review programme targeting specific areas for review
- Review the effectiveness of data quality across the council, in particular relating to performance management information
- Pre-tender risk appraisal process introduced before procurement activity for contracted goods and services
- Achievement of the South East Employers Charter
- Financial Management Standards agreed for Budget Managers

Actions in Progress

- Approval and publication of new Corporate Plan and Medium Term Financial Strategy
- Updating the Corporate Asset Management Plan and Corporate Procurement Strategy
- Introduction of new local arrangements for Standards for Conduct
- Appraise options for reducing the funding gap to meet the substantial investment backlog in council housing

Actions for Improvement to Governance Framework

There are not considered to be any significant issues and actions arising from the 2007/08 review. However actions for improvement were identified and shown together with actions in the following table:

APPENDIX 2

No.	Area/Issue	Action Planned
1.	Contract Management - Improved Value for Money	Development and introduction of training module for Value for Money in Contract Management.
2.	Business Planning	To implement new business planning process replacing Team Planning Framework.
3.	Anti Fraud & Corruption Strategy	Update the Anti Fraud Strategy to meet the requirements of the Government's Fraud Review.
4.	Constitution	Post implementation review of new constitution arrangements.
5.	Business Continuity Management	Review in relation to partnerships, significant contractors and specifically relating to ICT resilience.
6.	Financial Management – Improved access to tools and training	Financial skills training, improved support delivery through intranet, further developments of Financial Information System.
7.	Pay and Workforce Strategy	Review, update and approve.
8.	HR System - Improved quality of management information	Acquisition and implementation of new IT system to improve control and effectiveness of employees.
9.	People Strategy	Development, approval and implementation.
10.	Partnership Agreements	Complete Section 75 agreement.
11.	Community Engagement Framework	Review of the corporate consultation and communications policies.
12.	Key Governance Policies	Review of awareness and compliance across the council.

Signed

Signed

Alan McCarthy
Chief Executive
Dated:

Councillor Mary Mears
Leader of the COUNCIL
Dated:

Subject:	Targeted Budget Management (TBM) Revenue Outturn 2007/08		
Date of Meeting:	12 June 2008 / 26 June 2008		
Report of:	Director of Finance & Resources		
Contact Officer:	Name:	Nigel Manvell	Tel: 29-3104
	E-mail:	nigel.manvell@brighton-hove.gov.uk	
Key Decision:	Yes	Forward Plan No. 7	
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report sets out the revenue outturn for 2007/08 for the General Fund, Section 75 Partnerships and Housing Revenue Account (HRA) as at the 31 March 2008, please note the outturn is subject to audit.

2. RECOMMENDATIONS:

- (1) To note the provisional outturn for the General Fund, Section 75 (S75) Partnerships and Housing Revenue Account for 2007/08 and the impact on reserves and balances.
- (2) To agree the contribution of £0.500 million to the Single Status reserve and the creation of a Car Parks Maintenance reserve of £0.400 million.
- (3) To agree the changes to the 2008/09 budget allocations as set out in paragraph 3.6 of the report and the use of unallocated general reserves as set out in paragraph 3.5.
- (4) To agree the carry forward of £0.799 million to 2008/09 relating to the Older People Mental Health Services S75 pooled budget, managed by Sussex Partnership Trust, subject to Joint Commissioning Board approval at their meeting on 16th June 2008.
- (5) To agree an additional contribution from the General Fund to the S75 Partnership pooled budget to meet the shortfall of £0.199 million against the Integrated Community Equipment Services S75 pooled budget managed by

South Downs Health Trust.

- (6) To agree the proposed distribution of the unallocated Local Authority Business Growth Incentive Scheme (LABGI) funding as set out in Appendix 2.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 Table 1 shows the 2007/08 forecast outturn position for council controlled budgets within the General Fund, including directorates and centrally managed budgets and the outturn on NHS Trust managed S75 Partnership Services.

Forecast Variance Month 9 £'000	Department	2007/08 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
213	Adult Social Care & Housing	38,285	38,226	(59)	-0.2%
23	S75 Learning Disability Services	20,582	20,610	28	0.1%
1,043	Children & Young People's Trust	40,445	41,177	732	1.8%
1,989	Finance & Resources	21,530	23,299	1,769	8.2%
(81)	Strategy & Governance	9,454	9,482	28	0.3%
96	Environment	32,531	32,094	(437)	-1.3%
(14)	Cultural Services	12,719	12,543	(176)	-1.4%
3,269	Sub Total	175,546	177,431	1,885	1.1%
(2,489)	Centrally Managed Budgets	16,229	14,018	(2,211)	-13.6%
780	Total Council Controlled Budgets	191,775	191,449	(326)	-0.2%
(202)	NHS Trust managed S75 Servs	11,025	11,224	199	0.0%
578	Total Overall Position	202,800	202,673	(127)	-0.1%

- 3.2 Details of individual directorate forecasts are given in Appendix 1. Overall the council, has achieved an underspend of £0.127 million after providing for a proposed additional contribution to the S75 Partnership of £0.199 million. The provisional outturn is after taking account of all other recommended provisions and reserves.

3.3 The outturn position is significantly better than previously forecast. Strong financial control to address the forecast overspend, prudent financial management, including the achievement of additional efficiencies and vacancy savings where possible, and improved income generation have all contributed to the turnaround.

3.4 Specific Reserves & Provisions

The improved financial position enables consideration of an additional contribution to the Single Status Reserve. We are currently establishing our financial liability and this will be subject to negotiation with staff and unions. The medium term financing of any potential liabilities would need to be considered in future budget setting rounds alongside any available earmarked reserves and potential capitalisation directions from the government (which, if successfully obtained, would enable some of the potential liability to be spread over a period of years). Given the uncertainty over the potential liabilities and the method of financing, an increase to the reserve of £0.500 million is recommended at this time.

It is also proposed that a specific reserve of £0.400 million is created in respect of car parks maintenance. Additional detail on use of the reserve is given in Appendix 1 within the Environment directorate section.

3.5 Unallocated General Reserves

The accounting regulations applicable for the 2007/08 financial year included a change to the way capital financing costs are dealt with. The change resulted in a one-off reversal of charges made in previous financial years for premiums and interest. Under the new arrangements, these charges must now be spread over future years. The reversal had no effect on the overall outturn of £0.127 million but has increased unallocated general reserves by £0.970 million.

Including the underspend for 2007/08 and the accounting adjustment, unallocated general reserves stand at £1.530 million.

The collection fund is the account into which all council tax and council tax benefit is paid. The council's share of a projected deficit on the collection fund was estimated at £0.300 million in early January. Since then, the deficit has increased by £1.070 million for two main reasons: first, in common with many authorities there have been a number of successful appeals on council tax bandings requiring refunds to be made to residents going back a number of years, and; second, due to an unanticipated rise in the number of properties with student exemptions. The overall deficit in 2007/08 represents 1.25% of the total collection fund. It is proposed to earmark resources from the unallocated general reserves to meet the increased deficit and ensure that there is no impact on the level of council tax in 2009/10.

The budget for 2008/09 included the creation of a £0.250 million Transformation Fund to provide recurrent funding to support service transformation both in terms

of management capacity and learning & development. The first round of Value for Money Reviews have identified significant opportunities for improvement projects and transformation plans and it is proposed to provide additional one-off support to take these forward by earmarking £0.100 million from unallocated general reserves.

Taking into account the proposed allocations above, the revised unallocated general reserves will be £0.360 million.

3.6 Proposed Budget Changes 2008/09

Environment Committee at their meeting on 20 March 2008 agreed the award of tendered bus services for the period 2008 to 2012. It also agreed that the identified shortfall in the subsidised bus routes budget of £0.162 million be met from savings in the sustainable transport budget. A review of the concessionary fares budget, using newly available financial models provided by the Department of Transport to help assess reimbursement levels for the bus operators, has identified capacity within the budget to meet this shortfall in 2008/09 and beyond. It is therefore proposed to transfer £0.162 million budget from concessionary fares to subsidised bus routes.

The Government announced provisional allocations for the final year of the Local Authority Business Growth Incentive scheme (LABGI) on 2 April 2008. The allocation to Brighton & Hove City Council was £1.269 million. Budget Council in February 2008 agreed the allocation of £1 million to various schemes leaving £0.269 million unallocated resources. It is proposed to allocate the remainder as set out in Appendix 2.

The Living Without Violence project requires interim funding to continue as it has now been confirmed that the current funding stream has come to an end. The project is a high priority for the council but there is a gap before there is a suitable bidding opportunity for central government funding. It is proposed to provide gap funding upto a maximum of £0.100 million Local Public Service Agreement 2 (LPSA2) reward grant. The reward grant is due to be paid during 2008/09 and 2009/10. The total reward is as yet unknown but is anticipated to be in excess of £2.500 million. This is funding of last resort and should the project secure funding from alternative sources this allocation will not be provided.

3.7 NHS Trust Managed Section 75 Partnerships

The Older People Mental Health Service is managed by Sussex Partnership Trust under a Section 75 Partnership arrangement. The service had planned to introduce a new service, "Dementia at Home", to provide intensive home care to enable more people to remain at home and avoid expensive acute hospital and/or nursing home care. Due to recruitment and other logistical difficulties, the implementation of the service has been delayed resulting in an underspend against the service. It is proposed to carry forward the underspend of £0.799 million to provide financing for the service in 2008/09 subject to Joint

Commissioning Board approval on 16 June 2008.

The Integrated Community Equipment Store is managed by South Downs Health NHS Trust. The service has been under considerable pressure over the year in respect of both health and social care equipment and service demands. Health commissioners (Primary Care Trust) have provided an additional £0.400 million to meet additional demands for health equipment. In respect of social care equipment and services, there is an overspend of £0.199 million relating to increased demand. South Downs Health NHS Trust is unable to meet the overspend from other services. Taking into account all factors, it is proposed to make an additional contribution to the S75 Partnership pooled budget of £0.199 million as detailed in Appendix 1 subject to satisfactory financial performance. The council will provide some additional funding in 2008/09 subject to improved performance and will work closely with the Commissioner and South Downs Health to improve financial controls and efficiency in this service.

The above proposals for S75 partnerships are included in the overall outturn position reported at 3.1 above.

4. CONSULTATION

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

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

5.1 Included within the body of the report

Legal Implications:

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

Equalities Implications:

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

Sustainability Implications:

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

Crime & Disorder Implications:

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

Risk and Opportunity Management Implications:

5.6 There are no direct risk or opportunity management implications arising from this report

Corporate / Citywide Implications:

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

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

6.1 The proposed contribution to the Single Status reserve (£0.500 million) and the creation of a Car Parks Maintenance (£0.400 million) reserve are prudent actions based on current financial risk assessments. If these proposals were not approved, unallocated general reserves would increase by a corresponding amount.

6.2 If the earmarking of an amount (£1.070 million) of unallocated general reserves to support the collection fund deficit were not approved, alternative funds would need to be identified to cover the deficit to avoid future council tax levels being affected.

6.3 The £0.100 million allocation to the transformation fund if not made could delay service transformation projects/ value for money improvements. This is a modest amount that should support the speedier delivery of improvement projects and associated efficiency and productivity gains.

6.4 The proposed carry forward of £0.799 million in respect of S75 Older People Mental Health Services will be reported to the Joint Commissioning Board (JCB) for approval and is considered vital to ensure the setup and delivery of the new "Dementia at Home" service in 2008/09. Decisions regarding the utilisation of underspends on partnerships are taken jointly by the partners through the JCB. If this was not approved by the JCB and/or the Cabinet, the underspend would revert to both partners and would normally be shared in

proportion to the partners' contributions to the pooled budget. However, given the additional investment of over £1.9 million in this service in 2007/08, it is highly likely that this would be successfully disputed by the Primary Care Trust and that the underspend would revert to the Primary Care Trust in full.

The overspend on the Integrated Community Equipment Store (£0.199 million) has been reported for many months and the demands on the service are known to have increased. South Downs Health NHS Trust were expecting to manage this pressure but higher than anticipated costs on other S75 services has meant that financial recovery could not be achieved. Provider trusts are expected to deliver within budget provided there are no significant changes in demand. In this case, there is some evidence of a change in demand for social care equipment and the provider is highly likely to be successful in arguing the case for additional contributions from the commissioners (council and/or PCT). If the additional contribution was not approved, South Downs Health Trust is likely to seek redress under the terms of the S75 agreement.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 The recommendations have been made in the context of the overall financial standing and future outlook of the council. The movements on specific reserves and the earmarking of unallocated general reserves represent prudent financial management and make best use of the limited financial resources available to the council.

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix 1 – Revenue Outturn Position by directorate

Documents In Members' Rooms

1. None

Background Documents

1. Financial outturn reports for 2007/08.

Adult Social Care & Housing

Forecast Variance Month 9 £'000	Division	2007/08 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
37	Director	279	311	32	11.5%
40	Housing Strategy	4,767	4,761	(6)	-0.1%
136	Adult Social Care	33,239	33,154	(85)	-0.3%
213	Total	38,285	38,226	(59)	-0.2%

* This excludes £31.607 million in grant to the Section 75 Partnerships (see below)

Adult Social Care & Housing is reporting an underspend of £0.059 million, compared to an overspend of £0.213 million at Month 9.

Housing Strategy is reporting a small underspend of £0.006 million, which is an improvement of £0.046 million from Month 9. There is an underspend on the Homelessness budget of £0.345 million, mainly as a result of improved housing benefit collection levels and closure of a high unit cost accommodation unit. This underspend has been offset by significant pressures on Hostels as a result of essential repair works which reduced occupancy and increased staffing costs across the division.

Adult Social Care is showing an underspend of £0.085 million, which is an improvement of £0.221 million from Month 9. The main reason for this improvement is within Community Care reflecting the allocation of social care contingency funding. The Community Care budget shows an overspend of £0.104 million, with Physical Disabilities overspent by £0.403 million (being the full year effect of unachieved savings plan from 2006/07 and pressures within Homecare) and Older People Services are underspent by £0.344 million.

The above overspend has been offset by other mainstream budgets which are underspent by £0.189 million across Older People and Physical Disabilities.

Children & Young People's Trust

Forecast Variance Month 9 £'000	Division	2007/08 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
103	Director	897	1,050	153	17.1%
362	East, Early Years & NHS Comm Servs	9,684	10,023	339	3.5%
39	Central Area & School Support	(7,207)	(7,155)	52	0.7%
(43)	Learning & Schools	3,296	3,252	(44)	-1.3%
(126)	West Area & Youth Support	4,685	4,596	(89)	-1.9%
748	Social Care	27,996	28,419	423	1.5%
(40)	Quality & Performance	1,094	992	(102)	-9.3%
1,043	Total	40,445	41,177	732	1.8%

The directorate is reporting an overspend of £0.732 million, an improvement of £0.311 million since month 9. The main change is an improvement of £0.109 million on the corporate critical budget of foster care and child agency placements.

The total forecast overspend on foster care and child agency placements is £0.653 million, which is largely due to in-house foster placements of £0.406 million and leaving care of £0.276 million. The in-house foster placements variance was mainly caused by an increase in the number of residence order allowances. At the end of the financial year there were 153 residence order placements. The leaving care payments overspend largely related to additional accommodation costs.

Other major variances include overspends on legal fees (£0.124 million) and preventative payments for homeless families (£0.147 million), and a saving on Early Years Visitors of £0.150 million.

Finance & Resources

Forecast Variance	Division	2007/08 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
(152)	Finance	5,629	5,480	(149)	-2.6%
(86)	ICT	5,074	4,961	(113)	-2.2%
2,390	Customer Services	9,865	12,143	2,278	23.1%
(163)	Property & Design	962	715	(247)	-25.7%
1,989	Total	21,530	23,299	1,769	8.2%

The overall Finance & Resources directorate position has improved by £0.220 million from the variance reported at month 9.

The Finance underspend was due in the main to vacancy management savings.

The ICT outturn reflects the continued increase of savings from the telecomms contract and migration of data lines to a new platform.

Customer Services are reporting an overspend of £2.028 million (previously £2.100 million) on concessionary fares, due primarily to a much higher growth in journey numbers than expected but increases in bus fares had also contributed. The reduction in the overspend is due to the reassessment of all the appeal determinations. In April 2008 the council, with Lewes and Adur District Councils, lodged a Judicial Review (JR) application to challenge the way the decision was made by the Secretary of State for Transport on the 2007/08 reimbursement appeal determination for Brighton & Hove Bus Company. There have been 22 Judicial Review applications lodged nationally, mostly by bus operators and the outcomes of these applications are unlikely to be known until much later this financial year. There was also an under-achievement of income predicted on land charges fee income of £0.330 million.

The overall Property & Design underspend is due in the main to additional back rent, and in-year expenditure savings. The further improvement in the position since month 9 is due to additional back rent for residential properties within the Preston Barracks site.

Strategy & Governance

Forecast Variance	Division	2007/08 Budget	Forecast Outturn	Forecast Variance	Forecast Variance
Month 9		Month 12	Month 12	Month 12	Month 12
£'000		£'000	£'000	£'000	%
(53)	Director	461	462	1	0.2%
-	Improvement & Organ Devel	1,507	1,535	28	1.9%
(28)	Legal & Democratic Services	3,030	3,029	(1)	0.0%
-	Chief Executive's Policy Team	667	667	-	0.0%
-	Human Resources	3,334	3,334	-	0.0%
-	Executive Office	455	455	-	0.0%
(81)	Total	9,454	9,482	28	0.3%

The underspending of £0.081 million projected at month 9 has changed to a small overspend of £0.028 million against a budget of over £9 million. This change is explained as follows:

Within the Director's budget, costs associated with the new Constitutional changes were incurred.

Within Improvement and Organisational Development a business case for the early retirement of a member of staff was approved and the costs associated with this have been financed in 2007/08.

Within Legal and Democratic Services a budget carry forward has been authorised in respect of a new Document Management System, to help support the new constitutional changes and help ensure efficient and transparent governance.

Environment

Forecast Variance	Division	2007/08 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
Month 9 £'000					
-	Director	221	229	8	3.6%
(50)	Communications	513	389	(124)	-24.2%
(200)	City Services	24,653	24,515	(138)	-0.6%
-	Leisure	1,352	1,354	2	0.1%
492	Sustainable Transport	440	326	(114)	-25.9%
(174)	Public Safety	3,498	3,356	(142)	-4.1%
28	City Planning	1,854	1,925	71	3.8%
96	Total	32,531	32,094	(437)	-1.3%

Communications has underspent by £0.124 million mainly due to employee underspends and additional income arising from an increase in internal orders placed during the last quarter, which had not been forecast at month 9.

City Services underspent by £0.138 million arising from efficiencies within CityClean as forecast at month 9.

Public Safety has underspent by £0.142 million through overachievement of licensing fees (note: this has not caused the trading account to enter into a surplus position) offset by unanticipated staffing costs from initiative projects, which were incurred in March.

City Planning has overspent by £0.071 million due to a reduction in the fee earning assumptions for Building control, additional temporary staffing in Development Control to maintain performance levels, and other additional staffing costs identified at year-end.

Sustainable Transport has underspent by £0.114million, an improvement of £0.606 million since the forecast at month 9.

The improvement on Sustainable Transport is as a result of:

- On-street Parking fees and permit income from controlled parking zones exceeded budget by £0.832 million, an income increase of £0.592 million over the forecast at month 9.
- Penalty Charge Notice income fell short of budget by £0.906 million, an increased shortfall of £0.062 million over the forecast at month 9. The number of Penalty Charge Notices issued in the year was 127,000 compared to 160,000 in 2005/06
- Other on-street parking budgets underspent by a total of £0.538 million against the budget due to a reduction in the level of bad debt provision required for Penalty Charge Notices, and underspends on equipment, maintenance and contractors costs.
- Off-street parking budgets overspent by £0.111 million of which £0.063 million related to underachievement of income on The Lanes/London Road car parks. A deterioration of £0.100 since month 9 occurred mainly due to The Lanes.
- Highways expenditure on repairs and associated costs along with income generated in excess of forecasts resulted in a £0.225 million underspend against budget, which had not been forecast at month 9.
- Other sustainable transport budgets overspent by £0.064 million.
- A contribution of £0.400 million is recommended to be made from the overachievement of sustainable transport income to a Car Parks Maintenance reserve in 2008/09, in order to improve car parks and associated business processes to enhance monitoring and arrest the deteriorating income position on off-street parking referred to above.

Cultural Services

Forecast Variance Month 9 £'000	Division	2007/08 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
84	Libraries & Museums	5,843	5,975	132	2.3%
3	Arts & Creative Industries	1,607	1,606	(1)	-0.1%
-	City Marketing	1,805	1,788	(17)	-0.9%
(101)	Economic Devlpmnt & Regen	3,154	3,039	(115)	-3.6%
-	Major Projects & Venues	310	135	(175)	-56.5%
(14)	Total	12,719	12,543	(176)	-1.4%

Cultural Services is forecasting an underspend of £0.176 million, an improvement of £0.162 million since month 9.

The overspend in Libraries (£0.048m) is attributed to late notification of charges in relation to actuarial and pension costs. The Museums overspend (£0.084m) is mostly due to income shortfalls at the Royal Pavilion.

The underspend in City Marketing since month 9 is due partly to delays in recruiting for maternity cover and increased income from conference accommodation bookings.

The Economic Development & Regeneration increased underspend is due largely to continued vacancy management savings and underspends in supplies and services across the service.

The large variance since month 9 in respect of Major Projects and Venues is due mainly to large credits on energy invoices, and higher than expected commission on the catering contract at the Brighton Centre. In addition there was a small overachievement in income from entertainments.

Centrally Managed Budgets

Forecast Variance	Division	2007/08 Budget	Forecast Outturn	Forecast Variance	Forecast Variance
Month 9		Month 12	Month 12	Month 12	Month 12
£'000		£'000	£'000	£'000	%
150	Bulk Insurance Premia	3,205	3,219	14	0.4%
(1,362)	Housing & Council Tax Benefit	73	(1,251)	(1,324)	-1813.7%
(1,187)	Capital Financing Costs	8,450	7,077	(1,373)	-16.2%
-	Levies & Precepts	186	186	-	0.0%
(90)	Other Corporate Items	4,315	4,787	472	10.9%
(2,489)	Total	16,229	14,018	(2,211)	-13.6%

The bulk insurance premia overspend fell during the last quarter of the year. Lower than anticipated payments on insurance claims during the last 3 months of the financial year has offset the higher payments made earlier in the year resulting in the outturn being very close to budget.

The Housing & Council Tax Benefit forecast variance relates to three main issues:

As an incentive for local authorities to minimise the level of overpayments caused by local authority error, thresholds are built into the subsidy system. If the errors exceed an upper limit, zero subsidy is due on those overpayments but if the authority maintains errors below the lower limit it can claim 100% subsidy. Receipt of this additional subsidy is not assumed in the budget as the council is usually very close to the threshold limit. In 2007/08 errors were kept below the lower threshold which resulted in £0.405 million additional subsidy.

Additional subsidy has also been received in relation to 2006/07. The Housing Benefit subsidy claim for that year showed that the council had just exceeded the upper limit. However, the audit of the claim was completed at the end of November and following the audit, certain categories of local authority error were reclassified as eligible overpayments, which allowed the council to fall below the lower threshold and receive 100% subsidy. The net result of this is that the council achieved an extra £0.699 million in subsidy.

The remainder of the variance is due to actions taken with the service to increase overpayment recovery. The surplus was generated because certain housing benefit overpayments attract an element of subsidy, usually 40%, if they are recovered. Taken together with the recovered overpayment, the subsidy therefore gives rise to a net underspend.

The underspend on capital financing costs is due to an increase in investment income as a result of higher interest rates and higher cash balances available for investment (£1.313 million) and savings in interest payments (£0.060 million) due to rescheduling of long term debt (borrowings).

The movement on Other Corporate Items reflects the proposal to contribute £0.500 million to the Single Status reserve. This has been partly offset by funds released from unallocated general contingency.

Section 75 Partnerships

Forecast Variance Month 9 £'000	Division	2007/08 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
23	Council managed S75 Services	20,582	20,610	28	0.1%
(202)	NHS Trust managed S75 Services	11,025	11,224	199	1.8%
(179)	Total S75	31,607	31,834	227	0.7%

On council managed S75 Services (i.e. Learning Disability Services), the learning disability budget is showing an overspend of £0.028 million, after the agreed allocation of a non-recurrent social care risk provision from contingency. The various management actions taken during the year have achieved savings of £1.352 million against the financial recovery plan across Community Care and other Mainstream services.

South Downs Health Trust

With regard to Health Trust managed services, there is an overspend of £0.199 million relating to South Downs Health Trust and the cost pressures on the Integrated Community Equipment Store (ICES). This is a result of increased demands for both health and social care equipment and services. The Primary Care Trust has provided an additional contribution of £0.400 million to meet increased demands for health equipment and services. South Downs Health NHS Trust expected to achieve break-even for the year through delivery of a financial recovery plan to meet remaining cost pressures. However, due to continuing demands and higher than expected cost pressures on other services an overspend has resulted. Taking all factors into account, it is proposed to make an additional contribution of £0.199 million to meet the increased demand for social care equipment and services and thereby mitigate this overspend. In 2008/09 the council will provide reduced service pressure funding of £0.080 million subject to satisfactory financial performance and will work closely with the Commissioner and South Downs Health to improve financial controls and efficiency in this service.

Sussex Partnership Trust

The outturn position is an underspend of £1.162 million primarily relating to Older People Mental Health Services. This is principally due to the start of the "Dementia at Home" service being later than planned and as a result the investment in this service will mainly occur in 2008/09. Adult Mental Health services was overspent by

£0.375 million due to pressures on the community care budget. Substance Misuse is underspent by £0.011 million.

Where underspends occur on S75 pooled budgets, the partners are required to agree the utilisation of underspends. It has previously been reported to the Joint Commissioning Board that an underspend was likely in relation to the delayed start of “Dementia at Home” and that a carry forward would be recommended to enable the service to start up in 2008/09. It is therefore proposed to carry forward £0.799 million in this respect.

The Sussex Partnership Trust budgets are therefore shown as break-even, after inclusion of the proposed carry-forward of the £0.799 million.

Housing Revenue Account (HRA)

Forecast		2007/08	Forecast	Forecast	Forecast
Variance	Division	Budget	Outturn	Variance	Variance
Month 9		Month 12	Month 12	Month 12	Month 12
£'000		£'000	£'000	£'000	%
(514)	Employees	9,122	8,596	(526)	-5.8%
(972)	Premises – Repair	12,430	10,799	(1,631)	-13.1%
(8)	Premises – Other	2,094	2,197	103	4.9%
(136)	Transport & Supplies	2,016	2,051	35	1.7%
2	Support Services	2,270	2,249	(21)	-0.9%
750	Revenue contribution to capital	3,176	4,440	1,264	39.8%
(168)	Capital Financing Costs	5,017	4,866	(151)	-3.0%
(41)	Subsidy Payable to Gen Fund	8,155	8,129	(26)	-0.3%
(1,087)	Net Expenditure	44,280	43,327	(953)	-2.2%
(2)	Dwelling Rents (net)	(38,895)	(38,903)	(8)	0.0%
(41)	Other rent	(1,173)	(1,235)	(62)	-5.3%
(113)	Service Charges	(3,202)	(3,306)	(104)	-3.2%
(29)	Supporting People	(527)	(560)	(33)	-6.3%
94	Other recharges & interest	(612)	(762)	(150)	-24.5%
(91)	Net Income	(44,409)	(44,766)	(357)	-0.8%
(1,178)	Total	(129)	(1,439)	(1,310)	1015.5%

The underspend has increased by £0.132 million since month 9 to £1.310 million.

The main variances are the efficiencies realised in the Repairs budget totalling £1.631 million, which have been partly reinvested in the capital programme through an increased Revenue Contribution to Capital of £1.264 million.

The underspend for repairs has increased by £0.659 million since month 9 mainly due to increased efficiencies in the service contracts of £0.385 million and due to the capitalisation of the cyclical decorations programme of £0.274 million (an accounting adjustment).

The Premises – Other costs increased by £0.111 million, which was mainly due to an increase in leaseholders' insurance costs. These additional costs will be passed onto leaseholders in the following financial year.

The increase in Transport and Supplies since month 9 is mainly due to an increase in the provision for bad debts as a result of increased debt write offs during 2007/08 following a review of write off procedures.

The capitalisation of repairs staff salaries (shown under Other recharges & interest) increased by £0.240 million to reflect the increased investment in the capital programme.

The HRA minimum recommended level of balances is £2.2 million. The provisional outturn increases the HRA level of revenue balances to £5.650 million, of which £3.450 million is available for use. These available reserves will be set aside to invest in the new long term partnering contracts and other programmes with demonstrable efficiencies ensuring the council achieves maximum value for money in order to meet Decent Homes in the future.

Proposal for Unallocated LABGI Funds

Item	£m
<p>Brighton & Hove markets – research study</p> <p>A coherent market strategy will ensure that all markets add economic benefits and mitigates the potentially negative impacts on localities and small business. It will support the council’s strategic goals contained in the Sustainability Strategy, the Economic Strategy and the 2020 Community Strategy. It will have due regard for the work around the Open Market. A LABGI contribution is sought to produce a three year strategy and an implementation plan including interim evaluation to ensure that the aims of the strategy are being achieved.</p>	0.010
<p>Open Market redevelopment project</p> <p>Redeveloping the Open Market would generate additional value to the local economy. The Open Market redevelopment project is the only capital project yet to receive continuation funding as a result of the closedown of the local Area Investment Framework in April 2008. The Economic Development & Enterprise Board therefore recommended that the project should be supported if any additional LABGI funding was made available.</p>	0.050
<p>Management and delivery of the City Employment and Skills Plan</p> <p>Request for additional LABGI funding to support administration and project costs incurred through delivery of the four key strategic priorities of the CESP: Supporting the creation, retention and development of local business & enterprise; Increase the employment rate; Develop & improve skills for work; Develop the infrastructure & intelligence to support the delivery actions of the CESP.</p>	0.030
<p>Futures model development</p> <p>In addition to the LABGI-funded co-ordinator, the ED team seeks funding to support direct training and further progression of the Futures model, in the first instance around Tourism Futures and in support of the numerous small businesses within that sector.</p>	0.030
<p>Business Retention and Inward Investment Study implementation</p> <p>The BRII Study will identify the economic sectors in Brighton and Hove that have capacity to grow and boost economic output in the city. Implementing the recommendations of the BRII study will require a range of interventions for and with the business community in order to support local growth in an increasingly competitive global market.</p>	0.060

<p>Business welcome packs and information system</p> <p>The packs are an important requirement for the ED team which will support the BRll study. The welcome packs will ensure businesses are linked to available services and support within the city. There are two main target groups for the welcome packs: -</p> <p>1) Companies that are considering investment in Brighton & Hove. These enquiries are generally received directly or through Seeda.</p> <p>2) Companies that have recently located in the city. Subscription to an appropriate data system is required in order to identify and engage new businesses using the welcome packs.</p>	0.018
<p>Promoting Sustainable Economic Development</p> <p>In support of the council's aim to promote sustainable economic development, the ED team require funding to support business retention and growth through the Sustainable Business Partnership. Work areas include environmental audits and training, and result in boosting company profits and growth potential through efficiency savings.</p>	0.010
<p>Centre for Cities Research relating to Brighton & Hove Policy</p> <p>The Centre for Cities, a respected London-based think tank, is proposing to include Brighton and Hove in some action-focused research on maintaining growth in small cities. In return for their work with us, and the policy advice that comes with it, we are asked to make a small contribution to the costs of the study</p>	0.005
<p>Sussex Economic Summit</p> <p>Request for LABGI funding to support the Sussex Economic Summit planned for late spring/ early summer this year. The aim of the event is to share economic strategies in the light of the new LAAs and the outcome of the Sub-National Review, explore the potential for joint working across local authority boundaries and develop a Pan Sussex strategic approach for driving forward economic development across the area.</p>	0.005
<p>Planning Projects – Major Projects, Community Stadium</p> <p>Planning issues around the Community Stadium project must be addressed efficiently and in a co-ordinated manner which respects the project milestones. In addition to advising on the planning matters related to implementation of the stadium, an additional need has arisen to address a number of prospective planning applications related to the project. Accordingly, there is a need for some additional consultative work and a short to medium term appointment</p>	0.051
<p>Total</p>	0.269

Subject:	Targeted Budget Management (TBM) Capital Outturn 2007/08		
Date of Meeting:	12 June 2008 / 26 June 2008		
Report of:	Director of Finance & Resources		
Contact Officer:	Name:	Stuart Taylor	Tel: 29-1074
	E-mail:	stuart.taylor@brighton-hove.gov.uk	
Key Decision:	Yes	Forward Plan No.8	
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report sets out the capital outturn for 2007/08.
- 1.2 This report also highlights programme slippage, details budget changes and seeks approval for carry forwards to the 2008/09 programme.

2. RECOMMENDATIONS:

- (1) Approve the changes to the capital budget, as set out in Appendix 1
- (2) Note the programme slipped by 3.48%, as set out in paragraph 3.3.
- (3) Approve the carrying forward of 2007/08 slippage (£1.407 million) into the 2008/09 capital programme, to meet on-going commitments on these schemes.

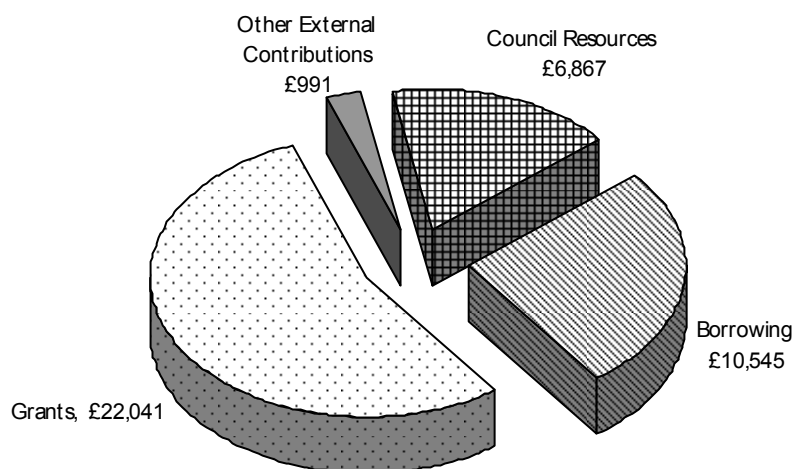
3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

3.1 Capital Budget 2007/08

On 7 February 2008, Policy & Resources Committee considered the month 9 capital monitoring report and agreed a revised capital budget of £44.939 million.

Appendix 1 to this report shows in detail the proposed changes to that budget since month 9, resulting in a final proposed 2007/08 capital budget of £40.444 million. Chart 1 shows the resources that make up that budget.

Chart 1
Capital Resources
£ '000



3.2 Capital Outturn

The table below shows the capital outturn for 2007/08

Department	Budget month 9	New schemes	Existing schemes – resource changes	Budget re-profiling	Revised budget	Actual Outturn	Slippage into next year	Saving / (shortfall)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cultural Services	1,298	0	(6)	(104)	1,188	1,088	100	0
Finance & Resources	6,190	41	10	(1,235)	5,006	4,697	309	0
ASC & HRA	16,731	13	(124)	(1,241)	15,379	14,599	596	184
CYPT	7,557	120	(27)	(320)	7,330	7,108	165	57
Environment	9,881	75	553	(1,290)	9,219	8,982	237	0
Sub-total	41,657	249	406	(4,190)	38,122	36,474	1,407	241
Schools DFC	3,282	0	(237)	(723)	2,322	2,322	0	0
Total	44,939	249	169	(4,913)	40,444	38,796	1,407	241

3 The 2007/08 capital outturn is £38.796 million. A further £1.407 million of the budget is needed to complete these projects and is requested to be carried forward to the 2008/09 programme.

Net savings have been made of £0.241 million. This relates to two areas of the programme:

- Housing stock programme £0.184 million
Cash incentive £0.080 million – there was no take-up of scheme in 2007/08. A further £0.080 million allocation has been made in 2008/09

budget, so this saving is to be returned to HRA reserves for future re-allocation.

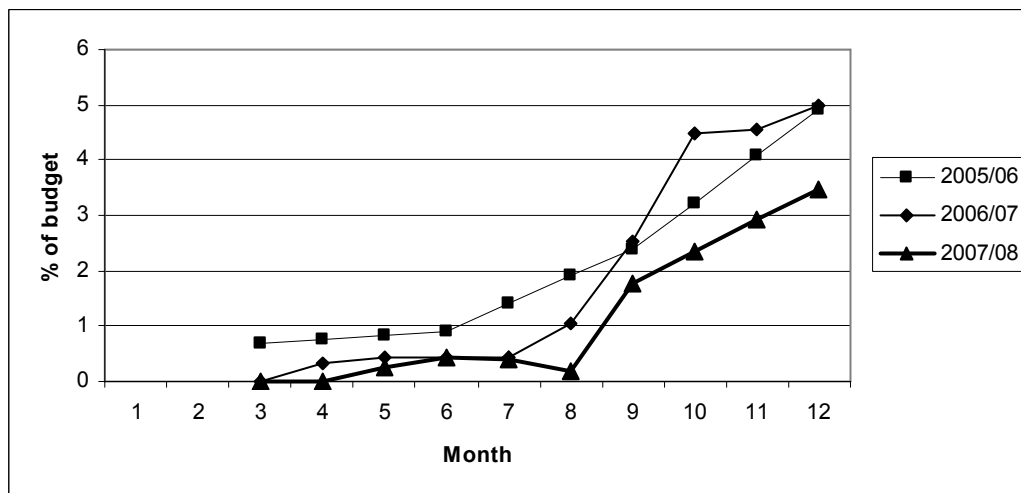
ICT fund £0.104 million - following the decision to retain the housing stock, a new ICT strategy has been in development. It has not therefore been appropriate to purchase individual solutions without fitting them into the overall strategy. This underspend will therefore be returned to HRA reserves for future re-allocation.

- Children’s Centres £0.057 million
Savings were identified in order to allow this ring-fenced grant to be re-allocated towards the nursery class at Moulsecomb Primary School in 2008/09. The grant can be carried forward for use in 2008/09 without the loss of funding.

3.3 Capital Slippage

The council endeavours to deliver its capital programme on time and within budget and as such monitors against a challenging target of spending at least 95% of the approved capital programme each year.

The graph below shows how forecasts of slippage compare to previous years



Total outturn slippage amounts to £1.407 million or 3.48% of the budget. No resources have been lost as a result of this slippage. Details of schemes with significant slippage are provided at appendix 2.

3.4 Requests for budget re-profiling

Delays to some projects came about as a result of factors outside of the council’s control. Where this occurred, departments have requested revision of these budgets.

Departments have requested the re-profiling of £4.913 million from this year’s budget, into next. Explanations are provided at appendix 3. This re-profiling will not result in the loss of any capital resources.

3.5 Prudential indicator for capital expenditure

Each year, the council sets a number of prudential indicators that show its capital investment plans are affordable and that borrowing levels are

sustainable and prudent. For 2007/08, these were set by the council on 22nd February 2007. One of these indicators is 'capital expenditure' and in February the council set this at £43.971 million for 2007/08. This indicator helps us to demonstrate that our capital expenditure plans are affordable.

The Capital Investment Programme report, also approved in February, demonstrated how it was fully funded and affordable. The revenue effects of this programme were fully considered as part of the revenue budget setting process. This report advises Members that the capital outturn has not resulted in the council exceeding its capital expenditure indicator.

4. CONSULTATION

4.1 No specific consultation has taken place.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications

5.1 These are addressed in the main body of this report.

Legal Implications:

5.2 In reaching its decisions in relation to its budget, the council needs to have regard to a number of general points. It must provide the services that it is statutorily obliged to provide but where there is power to provide services, rather than a duty, it has discretion to provide such services. It must observe its other legal duties, such as the duty to achieve best value, to comply with the Human Rights Act 1998 and in relation to equalities. It must also act in accordance with its general fiduciary duties to its council taxpayers to act with financial prudence.

More specifically in relation to its capital budgets, under the Local Government Act 2003 the council is required to set a number of current and forward indicators to demonstrate that planned levels of capital investment are affordable (in terms of council tax and housing rents) and prudent and sustainable over the medium term. In addition, section 3 of the 2003 Act requires the council to determine how much money it can afford to borrow. For decisions which affect capital budgets, the indicators and borrowing limit need to be taken into account in the decision making process.

Equalities Implications:

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

Sustainability Implications:

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

Crime & Disorder Implications:

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

Risk and Opportunity Management Implications:

5.6 There has been no specific risk assessment for this report.

Corporate / Citywide Implications:

5.7 None

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

6.1 It would be possible to consider redirecting slippage and re-profiling requests to other priorities. This is not recommended in this report as the resources were allocated to schemes by previous Member decisions and are required in order to complete the schemes the council has committed to. Some resources are also ring-fenced for a specific purpose by the sponsor.

7. REASONS FOR REPORT RECOMMENDATIONS

7.1 The budget changes are requested in order to begin or complete capital investment projects previously agreed by Members.

7.2 The slippage and re-profiling requests are required to be carried forward into 2008/09 in order to complete capital investment projects already committed to.

SUPPORTING DOCUMENTATION

Appendices:

1. Details of all budget changes
2. Reasons for significant slippage
3. Explanation of reasons for requested budget re-profiling

Documents In Members' Rooms

1. None

Background Documents

1. Information provided by directorates. Data provided from the council's General Ledger system. Files held within Financial Services and Strategic Finance, Finance & Resources

Budget Changes

Scheme	£'000	£'000	Explanation
Revised budget at 31 December 2007		44,939	
New schemes approved			
Carbon Management Programme	54		Costs of in-year allocations from Carbon Management Fund. Budget Council 22/02/07
Falmer City Academy Outline Business Case	120		Costs met from DCSF grant. Project agreed Policy & Resources Committee 07/02/08
Haybourne Road Traffic Calming	62		Latest phase of EB4U funded works to reduce anti-social behaviour and security concerns within alleyways running along backs of properties
Loans to Leaseholders	13		Being the annual transfer of right-to-buy leaseholders service charges to the capital programme
		249	
Existing Schemes - Change in Resources			
Children's Play Programme Capital	-21		Big lottery fund grant underspend, to be switched for use on revenue in 2009/10
Cycling Demonstration Town	413		Use of Cycling Demonstration Town grant from Cycle England for agreed programme of works
Bristol Estate Studio Space	-8		Project underspend resulting in less ring-fenced Area Investment Fund grant being required
Hove Central Library DDA	2		Contribution from the revenue budget to finance project variation
New Voice and Data Capability	8		Contribution from the revenue budget to finance project variation
Hewley Cemetery Extension	-2		Balance of external funding not required is re-payable to funder
Royal Pavilion Stoneworls Partnership	1		Additional use of borrowing to meet minor outturn variation
New Steine Mews Annex	-4		Project completed. Ring-fenced funding not available for redistribution
Citywide Vocational Skills Centres	-10		Costs due to be met from a contribution from Blatchington Mill have now been met directly by the school
NDS Modernisation	-8		Year-end adjustment to account for actual schools contributions received compared to budgeted
Drove Road Adaptations	-9		Project delivered under budget. Balance of unsupported borrowing not required
Devolved Capital Adjustments	-237		Annual adjustment to capital devolved to schools, to take account of sums paid over to schools but not defrayed by them at 31st March
PE & Sport Initiative	-9		Ring-fenced New Opportunities Fund grant balance to be switched for use in revenue
Estate Development	-120		Reduction of budget and revenue contributions to capital following identification of some costs being revenue in nature
Horsdean Site Amenity Works	30		Use of additional government grant
Marina to Ovingdean Coast Protection Scheme	64		DEFRA approved increase to total project cost
Local Transport Plan	12		Highways section 106 sums
Providence Place Amenity Space	-2		Balance of section 106 funding after works completed. May be possible to re-allocate to related works in future
Air Street Lighting Improvements	-2		Section 106 funding no longer required. To be re-allocated at future date under terms of agreement towards related works
Preston Park Improvements	2		Use of additional ring-fenced section 106 receipts
Central Brighton Parking Scheme	-8		Project completed. Balance of borrowing not required
Extension of Westbourne Parking	12		Additional unsupported borrowing to be repaid from parking income
Trafalgar Street Enhancement	20		Cycle England contribution
NDS Modernisation 2007/08	30		Schools contribution
Madeira Drive Regeneration	-11		Lower than anticipated internally recharged professional fees. Less general grants usage therefore required
DEFRA Waste Performance & Efficiency	2		Contribution from the revenue budget to finance project variation
Improving the Care Home Environment for Older Peop	3		Contribution from the revenue budget to finance project variation
Enforcement Cameras 143 - 150 North St	1		Contribution from the revenue budget to finance project variation
Hangleton CCTV	8		Contribution from the revenue budget to finance project variation
Pelham Terrace Crossing Works	12		Contribution from the revenue budget to finance project variation
		169	

Budget Changes

Budget re-profile

Replacement Library Management System	-104	See appendix 3
External Improvement Works to Allen Centre	-29	See appendix 3
Re-roofing Works to Knoll House	-45	See appendix 3
Geographical Information Systems	-57	See appendix 3
Citizens Relationship Management	-87	See appendix 3
Mobile & Flexible Working	-52	See appendix 3
Improving Information Management	-36	See appendix 3
Extension of City Mortuary	-238	See appendix 3
Disability Discrimination Act – Access Improvements	-215	See appendix 3
Ovingdean Grange Farm	-51	See appendix 3
Kensington Street	-19	See appendix 3
New England House Lift Refurbishment	-42	See appendix 3
Woodvale Spire Structural Repairs & Refurbishment	-81	See appendix 3
Corporate Fire Precautions & Fire Alarm Systems	-168	See appendix 3
Replacement Financial Information System	-115	See appendix 3
Private Sector Renewal Grants	-445	See appendix 3
Disabled Facilities Grants	-173	See appendix 3
Housing Stock - Mechanical & Electrical Works	-30	See appendix 3
Housing Stock - Door Entry Systems	-49	See appendix 3
Housing Stock - General Refurbishment	-544	See appendix 3
Honey Croft Children's Centre	-57	See appendix 3
Royal Spa Early Years Childcare	-48	See appendix 3
Mobile Play Project	-58	See appendix 3
Moulsecroomb Children's Centre - Nursery Class	-61	See appendix 3
Schools Access Initiative	-96	See appendix 3
Devolved Capital to Schools	-723	See appendix 3
Downland Initiative	-204	See appendix 3
Extension of Communal Blins Scheme	-615	See appendix 3
Playground Improvements	-138	See appendix 3
Bandstand Restoration Project	-124	See appendix 3
Ocean Hotel Saltdean Crossing Works	-25	See appendix 3
Peace Statue Toilets	-86	See appendix 3
Volks Railway Shed	-98	See appendix 3
	-4,913	

40,444

Revised budget at 31 March 2008

Director comments on the impact on service delivery resulting from slippage over £50,000

Department:	ASC & HRA		
Project Name:	Housing Stock Programme		
Budget 2007/08:	£11,311,210	Outturn expenditure:	£10,767,280
Slippage into 2008/09:	£543,930		

1. Estate Development

The Estate Development Budget (EDB) funds a large variety of works that enhance the immediate environment for council tenants. The expenditure comes from both the revenue and capital budget depending on the nature of the works. The programme of works is agreed each year at Housing Area Panel meetings (which consists of Member, officers and tenants representatives).

The £0.133 million to be carried forward in to 2008-09 is made up of approximately fifteen projects, which could not be completed during the 2007-08 financial year. The delays were due to a variety of reasons ranging from continuing consultation with the residents and tenants and waiting for decisions on planning permission. Orders have now been placed for three of the jobs, accounting for approximately £0.070 million of the underspend, and it is anticipated they will be complete within the next four months. The remainder of the programme will be completed by the end of the financial year 2008-09.

2. Disabled Adaptations

The full HRA adaptations budget was approved in November 2007. Orders for works with a total value covering the whole of the budget were placed with our approved contractors. However, in the event, although these contractors worked hard to deliver the programme, limitations in their capacity meant that it was not possible for them to carry out all of the scheduled adaptations by the end of the financial year.

The waiting period for adaptations has been extended for some tenants. This has resulted in a backlog of demand, and a year-end commitment of £0.311 million. It is therefore proposed that the whole of the underspend be allocated to 2008/09.

3. Newstead Flats refurbishment

Due to tendering issues and discovery of additional works it has been decided that new tenders should be sought. Seeking new tenders has impacted on the ability to complete this project in 2007/08.

This project has now started on site and will be completed by July 2008.

4. Carden Road Flats External Repairs

The contract was retendered owing to the original tender omitting to specify properties that are part of the block, but on an adjacent street. These works affect leased shops and flats, therefore further statutory leaseholder consultation was necessary to progress the tender. This has delayed execution of the work into 2008/09.

Director comments on the impact on service delivery resulting from slippage over £50,000

Department:	Children & Young People's Trust		
Project Name:	NDS Modernisation		
Budget 2007/08:	£1,689,450	Outturn expenditure:	£1,587,700
Slippage into 2008/09:	£101,750		

As reported at TBM 9 the NDS Modernisation funding was resourcing a number of projects that were at various stages of development and delivery. Some work had to be programme during the recent Easter holiday. While the majority of work was completed and paid for in 2007/2008 some work will complete in the early part of the new financial year. As a result, we wish to carry forward £0.102 million of slippage to meet these commitments.

Request to re-profile capital project budgets

Below is a table of budget re-profiling requests. These are projects where a need to adjust the budget profile has arisen, usually due to outside factors. Where the a change of £0.100 million or greater is requested, a more detailed explanation has been provided.

Capital budget re-profiling requests		
Project name	Budget Re-profile	Explanation
Replacement Library Management System	£104,250	See below – Ref I
External Improvement Works to Allen Centre	£29,190	Specification changes once on site and adverse weather
Re-roofing Works to Knoll House	£45,000	Scope & nature changed following severe weather at the end of 2007, highlighting unknown defects
Geographical Information System	£57,030	In year 1, scoping the phases of work identified need to adjust budget profile, as well as payment withheld due to some sub-standard work
Citizens Relationship Management	£86,560	Proposed extension to use GIS functionality & customer self service to be developed next year (see above)
Mobile and Flexible Working	£51,520	No business case found for Wireless Broadband Infrastructure in City. Now to be used in mobile & flexible working programme linked to wider accommodation strategy
Improving Information Management	£36,050	CareFirst v6 implementation costs less than expected. Ring-fenced grant required to meet scheme costs in 08/09
Extension of the City Mortuary	£237,810	See below – Ref II
Disability Discrimination Act – Access Improvements	£214,510	See below – Ref III
Ovingdean Grange Farm	£50,690	Agents fees expected in-year now due in 08/09. In-going tenants later than expected notification of repairs
Kensington Street	£19,280	On-going Party Wall Act and rights of light issues where we will incur legal fees
New England House Lift Refurbishment	£42,400	Lift design requires specialist expert input. Council had difficulty recruiting to Senior Mechanical and Electrical Engineers post
Woodvale Spire Structural Repairs & Refurbishment	£80,530	Timing of works needed to avoid adverse weather and the cemeteries busiest periods to avoid running a reduced service
Corporate Fire Precautions & Fire Alarm Systems	£168,140	See below – Ref IV

Appendix 3

Replacement Financial Information System	£115,170	See below – Ref V
Private Sector Housing Renewal	£444,890	See below – Ref VI
Disabled Facilities Grant	£173,310	See below – Ref VII
Housing Stock - Mechanical & Engineering	£30,000	Planning delays and concerns over value for money of quotes received for St James House works
Housing Stock - Door Entry Systems	£49,000	Insufficient tenders received for Walton Bank, resulting in the need to retender
Housing Stock - General Refurbishment	£544,070	See below – Ref VIII
Honey Croft Children's Centre	£57,190	Heavy rainfall and subsequent water penetration delayed completion
Royal Spa Early Years Childcare	£48,130	Contractor went into liquidation
Mobile Play Project	£58,000	Vehicle delivery delayed and graphics work re-done due to being below standard expected
Moulsecomb Children's Centre – Nursery Class	£61,420	Buffer Bear nursery closure has changed scope of early years provision in Moulsecomb area. Works in 08/09 will link in with Moulsecomb Primary School
Schools Access Initiative	£95,540	Notification from schools came through later in the year
Devolved capital to schools	£722,870	See below – Ref IX
Downland Initiative	£204,350	See below – Ref X
Extension of Communal Bins Scheme	£615,000	See below – Ref XI
Playground Improvements	£138,100	See below – Ref XII
Bandstand Restoration Project	£123,710	See below – Ref XIII
Ocean Hotel Saltdean Crossing Works	£24,810	Awaiting the developer providing a number of on street parking spaces within existing verges around the site
Peace Statue Toilets	£86,310	Surveyor work on hold awaiting results of the asbestos and electrical surveys
Volks Railway Siding Sheds	£98,430	Cost of repair found to be uneconomical. Further consideration needed to ensure VFM and meeting Railway Inspectorate safety requirements
TOTAL	£4,913,260	

Ref: I	Project Name: Replacement Library Management System
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The company supplying the software have failed to deliver to specification, necessitating further development time on their part. They also failed to put in place adequate facilities management, resulting in the Service Level Agreement performance measures not being met. This caused serious disruption to services. As a result, payment is being withheld until we are satisfied that their software and facilities management are complete and performing to expected standards.

Service delivery was seriously disrupted between December 2007 and February 2008. An alternative broadband connection via our corporate Internet feed had to be put in place for a couple of months to replace the inadequate one that our supplier had provided. Extra staffing was needed to deal with the long customer queues caused by the slow system and the lack of proper self-service facilities.

Ref: II	Project Name: Extension of the City Mortuary
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Structural survey work identified additional requirements which set back the project timetable, including 'party wall' issues that have required getting the consent of multiple neighbouring tenants. The knock on effect was then that the structural elements of the project would have to be undertaken after the winter months, in order to avoid disruption to the operational requirements during the mortuary's busiest period of the year.

Ref: III	Project Name: Disability Discrimination Act – Access Improvements
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This is a rolling programme of works linked into meeting the BVPI 156 (% of publicly accessible buildings) target. The purpose of this budget is to provide funding to remove prioritised physical and sensory barriers to Council services. Works are not always the smart, cost-effective answer to overcome barriers; management procedures or providing the service in a different way may overcome a barrier at a reduced cost.

The appointment of a Technical Access Manager has brought skills to the Council that have enabled new innovative solutions to be applied to the removal or avoidance of service barriers.

Due to alternative and cost effective solutions, not all of the allocated funds were spent by the end of the financial year. However the BVPI target for 2007/08 of 65% has been achieved.

Year	Target	Actual Score
2005/06	53.6%	53.94%
2006/07	60%	60.00%
2007/08	65%	65.45%
2008/09	70%	

The rolling nature of the DDA programme means that projects and funding will be carried over into 2008/09 to ensure that the required access

adjustments are made to services and infrastructure and that the BVPI target for 2008/09 is met.

Ref: IV	Project Name: Corporate Fire Precautions & Fire Alarm Systems
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Despite repeated efforts the Council had difficulty in filling the vacant Senior Mechanical and Electrical Engineers post. This post was filled on 15th February 2008. As a result external consultants were employed to deliver this project within the financial year. The consultant slipped from the original programme timetable due to their own work pressures and the resultant problems allocating sufficient resources.

It is anticipated that works will commence in May 2008.

Ref: V	Project Name: Replacement Financial Information System
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Following implementation of the replacement system, Authority Financials, in December 2006 there have been a number of system performance issues to address. Some of these were addressed in a major upgrade (v8.1) installed in December 2007, however, there are still a number of outstanding issues which have been notified to the supplier. Until these are resolved, forward development of the system, particularly interfaces, the debtors module and some aspects of reporting, is being held up and therefore re-profiling of the budget is required.

Ref: VI	Project Name: Private Sector Housing Renewal
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Expenditure under this cost centre is dependent upon the completion of works by individual applicants following approval of applications for Housing Renewal Assistance. The rate at which applications are received and the timescale for completion of works are therefore outside the control of the council.

Ref: VII	Project Name: Disabled Facilities Grant
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Expenditure on this budget is dependent upon private sector grant applicants arranging for works to be undertaken following a process of preliminary assessment and prioritisation by the OT Assessment Team, detailed needs assessment and specification of a bespoke adaptation within the Housing Adaptations Team and the processing of a detailed means tested grant application. The council has no effective control over the time in which the adaptation works are carried out following grant approval.

Ref: VIII	Project Name: Housing Stock - General Refurbishment
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Citywide Door Replacement

The original London Housing Consortia (LHC) framework expired in January 2008. It was decided to use the new framework commencing January 2008 to enable further value for money. Additionally, the new framework included an improvement to the locking mechanisms of external doors.

All works within the scheme are still expected to meet the original target for completion in 2009/10.

Denton Drive Walkway

A change in specification achieved a reduction in costs for this scheme. This change has resulted in a delay to the progress of the tendering process. The contractors are now on site and are due to complete within the first quarter of 2008/09.

Ref: IX	Project Name: Devolved capital to schools
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Devolved Formula Capital is a financial resource that is devolved to schools by the Local Authority. Part of the terms of this Department of Children, Schools & Families grant provides schools the option to accrue the money for a maximum of 3 years. However, accrued funds are normally retained by the Local Authority. The outstanding balance represents the funds that schools have chosen not to take this year. These outstanding budgets are being re-profiled to 2008/09.

Ref: X	Project Name: Downland Initiative
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Progress has been made with the East Brighton easy access trail, but has been slower than expected due to needing to reach agreement with English Heritage on Whitehawk Hill. There is a wider reaching plan for that area that we are working on with the Brighton & Hove Archaeology group, with the top of Whitehawk hill being a scheduled ancient monument.

The Falmer to Woodingdean cycle route works will include financial support from the Local Transport Plan, but the recent priority for LTP spending on cycle routes has been the Hove area, in order to ensure matched funding for the Cycling Demonstration Town grant. Delays have also been experienced due to the complexities of working with our partners in East Sussex County Council, as well as having to take full account of the new Community Stadium factors in the works.

The table below shows the expected revised spending profile.

2007/08	2008/09	2009/10	2010/11
£	£	£	£
96,000	75,000	75,000	54,500

The Stanmer easy access route has been completed under budget. Work will continue throughout the autumn, winter and spring of year 2 on the East Brighton easy access trail and work will be carried out on Falmer to Woodingdean cycle route to make it accessible by walkers, horse riders and off-road cyclists.

Ref: XI	Project Name: Extension of Communal Bins Scheme
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This project was originally approved at Environment Committee on 13th September 2007. At that meeting Members agreed

- 1) That the Chairman of the Environment Committee works with the Opposition Spokesperson for Environment and the spokesperson/representative from the Green and Liberal Democrat Groups to oversee a process of consultation with residents in the areas where it is proposed to implement an extension of the Communal Bin Scheme. These discussions to involve the ward councillors representing the 10 wards affected as necessary.
- 2) That the results of the consultation are reported back to the Environment Committee for a decision on further extensions to the scheme.
- 3) That the unions continue to be fully informed and consulted as part of this process.

This extended period of consultation has impacted upon the project implementation timetable, resulting in the budget not now being spent until 2008/09.

The consultation period has just ended. Officers are now collating the information and anticipate reporting back to Members in May/June.

It is likely that any proposed project will start being implemented in February 2009.

Ref: XII	Project Name: Playground Improvements
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A tender was let to install play equipment purchased for Hove and Hollingbury playgrounds with an anticipated contract start of February 2008. However, on receipt the tenders needed some amendment and reconfiguration, as the budget was exceeded. The playgrounds tenders have been reconfigured to accommodate these changes and re-tendered.

The project will now start on the ground after the Easter school holidays with a completion date in mid June for Hove Park and beginning of August for Hollingbury Park. The extended delay to the second play area is beyond our control as the same contractor won the tender for both sites and is unable to install both sites at the same time.

The existing play equipment has been left in situ and is useable and safe although not to the standard expected.

Ref: XIII Project Name: Bandstand Restoration Project

The budget for 2007/08 was based on a cost plan compiled for the HLF application which estimated professional fees at 20% of the total budget. Once tenders started to come in, it was apparent that fees could well be lower than this.

It was envisaged that the majority of professional fees would be met by the end of March 2008. Although the main body of work has been completed by the architects and landscape designers, other consultancy work is now expected to fall in 2008/09.

It should be noted that although savings are expected to be realised in professional fees, additional costs are likely to be incurred as a result of a significant increase world wide in the price of raw materials since the original budget estimate.

Due to the nature of historic building restoration projects, the precise costs are not yet clear. The combined effect of timing issues and some savings on fees requires a re-profiling of some of the budget into 2008/09, where a budget review will be undertaken once the tenders are returned.