



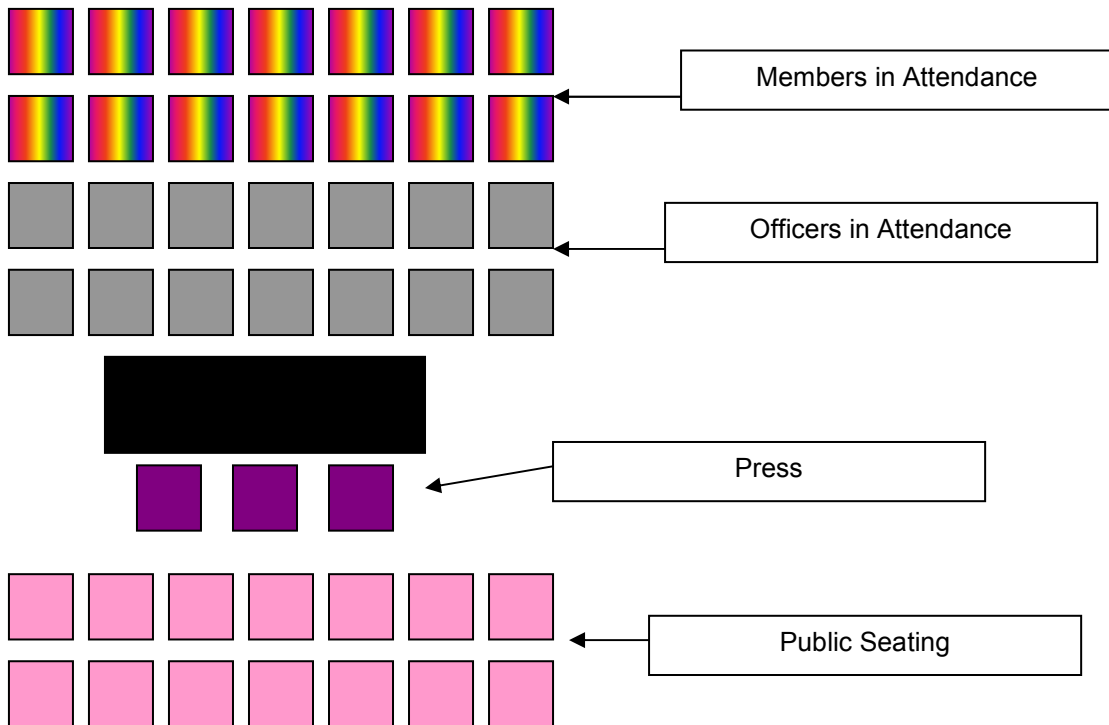
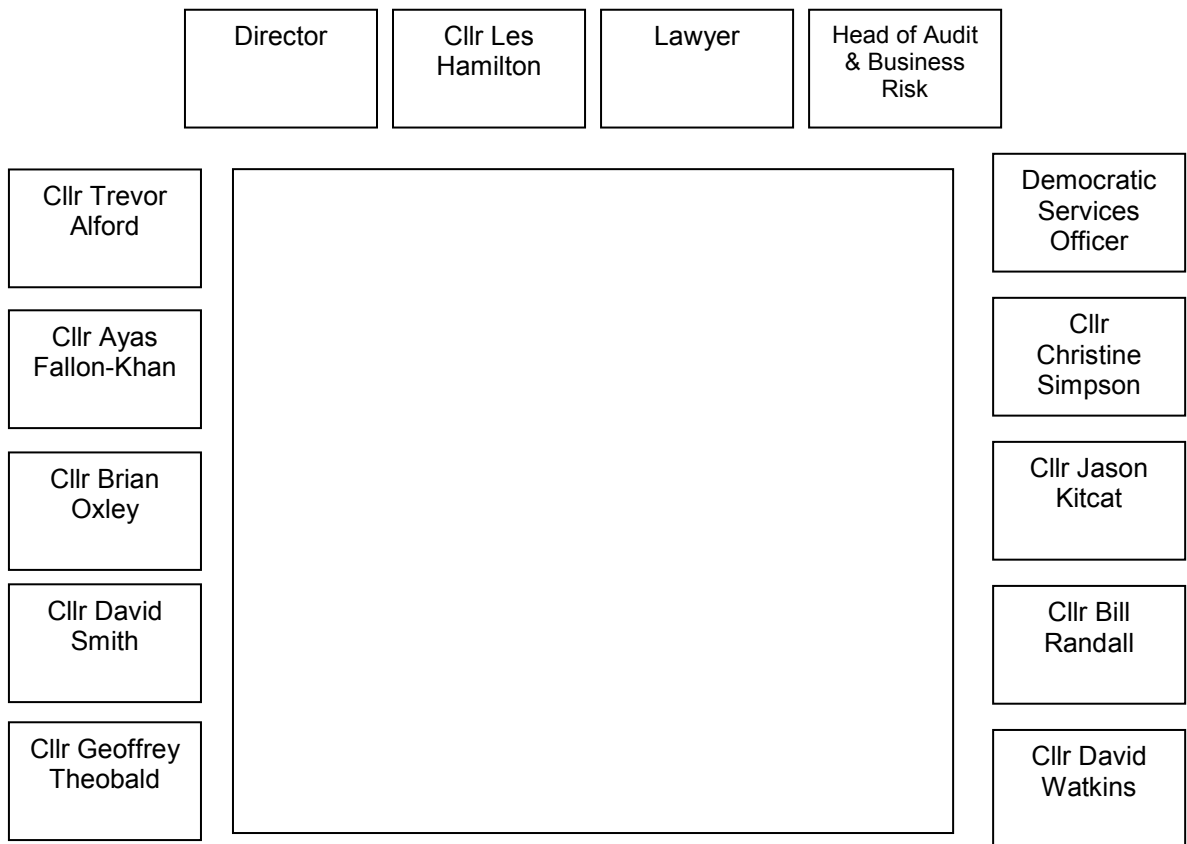
Brighton & Hove
City Council

Audit Committee

Title:	Audit Committee
Date:	30 March 2010
Time:	4.00pm
Venue	Committee Room 1, Hove Town Hall
Members:	Councillors: Hamilton (Chairman), Watkins (Deputy Chairman), Alford, Fallon-Khan, Kitcat, Oxley, Simpson, Smith, Taylor and G Theobald
Contact:	Jane Clarke Democratic Services Officer 01273 291064 jane.clarke@brighton-hove.gov.uk

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Democratic Services: Meeting Layout



AGENDA

56. PROCEDURAL BUSINESS

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

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

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

57. MINUTES OF THE PREVIOUS MEETING

1 - 12

Minutes of the meeting held on 15 December 2009 (copy attached).

58. CHAIRMAN'S COMMUNICATIONS

59. PETITIONS

No petitions received by date of publication.

60. PUBLIC QUESTIONS

(The closing date for receipt of public questions is 12 noon on Tuesday 23 March 2010).

No public questions received by date of publication.

61. DEPUTATIONS

(The closing date for receipt of deputations is 12 noon on Tuesday 23 March 2010).

No deputations received by date of publication.

AUDIT COMMITTEE

62. WRITTEN QUESTIONS FROM COUNCILLORS

No written questions have been received.

63. LETTERS FROM COUNCILLORS

No letters have been received.

64. TREASURY MANAGEMENT POLICY STATEMENT

13 - 38

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

Contact Officer: Mark Ireland, Peter Sargent Tel: 29-1240, Tel: 29-1241

Ward Affected: All Wards;

a) ANNUAL INVESTMENT STRATEGY 2010-2011

39 - 54

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

Contact Officer: Mark Ireland, Peter Sargent Tel: 29-1240, Tel: 29-1241

Ward Affected: All Wards;

65. COMPREHENSIVE AREA ASSESSMENT

55 - 90

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

Contact Officer: Barbara Green Tel: 29-1081

Ward Affected: All Wards;

66. AUDIT COMMISSION: THE ROLE OF THE AUDIT COMMISSION

Oral report and powerpoint presentation by the Audit Commission.

Contact Officer: Simon Mathers Tel: 0844 798 1776

Ward Affected: All Wards;

67. AUDIT COMMISSION: AUDIT PROGRESS REPORT 2009/2010

91 - 100

Report from the Audit Commission (copy attached).

Contact Officer: Simon Mathers Tel: 0844 798 1776

Ward Affected: All Wards;

68. AUDIT COMMISSION: CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT

101 - 108

Report of the Audit Commission (copy attached).

Contact Officer: Simon Mathers Tel: 0844 798 1776

Ward Affected: All Wards;

AUDIT COMMITTEE

69. AUDIT COMMISSION: FEE LETTERS 2010/2011 **109 - 116**

Report of the Audit Commission (copy attached).

Contact Officer: Simon Mathers *Tel:* 0844 798 1776
Ward Affected: All Wards;

70. TARGETED BUDGET MANAGEMENT (TBM) MONTH 9 **117 - 162**

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

Contact Officer: Patrick Rice *Tel:* 29-1268
Ward Affected: All Wards;

71. RISK AND OPPORTUNITY MANAGEMENT (ROM): UPDATE **163 - 168**

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

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

PART TWO

72. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING - EXEMPT PARAGRAPH 3 **169 - 170**

Non-Public minutes of the meeting held on 15 December 2009 (copy attached).

73. CORPORATE RISK MANAGEMENT ACTION PLAN FOCUS - EXEMPT PARAGRAPH 3

Oral report from the Risk & Opportunity Manager and the Schools Futures Project Director.

Contact Officer: Jackie Algar, Gil Sweetenham *Tel:* 29-1273, *Tel:* 29-3474
Ward Affected: All Wards;

74. NATIONAL FRAUD INITIATIVE 2008/2009 OUTCOMES - EXEMPT PARAGRAPH 3 **171 - 180**

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

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

75. PART TWO ITEMS

To consider whether or not any of the above items and the decisions thereon should remain exempt from disclosure to the press and public.

AUDIT COMMITTEE

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

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

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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 Jane Clarke, (01273 291064, email jane.clarke@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

Date of Publication - Monday, 22 March 2010

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00pm 15 DECEMBER 2009

COMMITTEE ROOM 3, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chairman), Watkins (Deputy Chairman), Kitcat, Oxley, Phillips, Simpson, Smith and C Theobald

PART ONE

37. PROCEDURAL BUSINESS

37a Declarations of Substitutes

37.1 Councillor Phillips declared that she was substituting for Councillor Taylor.

37.2 Councillor Mrs Theobald declared that she was substituting for Councillor Theobald.

37b Declarations of Interests

37.3 Councillor Simpson declared a personal but not prejudicial interest in Item 53: Corporate Risk and Opportunity Register Update and Item 55: Corporate Risk Management Action Plan Focus, for the reason that she sat on the Board for the Local Delivery Vehicle.

37c Exclusion of the Press and Public

37.4 In accordance with section 100A of the Local Government Act 1972 ('the Act'), the Audit Committee considered whether the press and public should be excluded from the meeting during an item of business on the grounds that it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press or public were present during that item, there would be disclosure to them of confidential information (as defined in section 100A(3) of the Act) or exempt information (as defined in section 100I of the Act).

37.5 **RESOLVED** - That the press and public be excluded from the meeting during consideration of item 54, Non-Public Minutes of the Previous Meeting, and item 55, Corporate Risk Management Action Plans Focus as these items were exempt under Paragraph 3 of Schedule 12A of the 1972 Act (information relating to the financial or business affairs of the authority).

38. MINUTES OF THE PREVIOUS MEETING

- 38.1 **RESOLVED** – That the minutes of the previous meeting held on 29 September 2009 are approved and signed by the Chairman as a correct record.

39. CHAIRMAN'S COMMUNICATIONS

- 39.1 The Chairman addressed the Committee and noted that the Health Impact Assessment report had been referred to the Health Overview & Scrutiny Committee for consideration.

The Chairman had recently visited the National Fraud Initiative and had asked for an Officer to attend an Audit Committee meeting at a later date.

The Chairman thanked Mr Brown from the Audit Commission for his work with Brighton & Hove City Council, and welcomed Mr Mathers into the post.

40. PETITIONS

- 40.1 There were none.

41. PUBLIC QUESTIONS

- 41.1 There were none.

42. DEPUTATIONS

- 42.1 There were none.

43. WRITTEN QUESTIONS FROM COUNCILLORS

- 43.1 There were none.

44. LETTERS FROM COUNCILLORS

- 44.1 There were none.

45. TREASURY MANAGEMENT POLICY STATEMENT 2009/10 (INCLUDING ANNUAL INVESTMENT STRATEGY 2009/10) - MID YEAR REVIEW

- 45.1 The Committee considered a report from the Director of Finance & Resources regarding the Treasury Management Policy Statement 2009/10 (for a copy see minute book).
- 45.2 The Head of Strategic Finance and Procurement, Mark Ireland, introduced the report and stated that following the collapse of the Icelandic banks local authority reporting processes on treasury management had been examined, and it was recommended that treasury management activities be reported more frequently to elected members through council audit committees.

Mr Ireland highlighted that the financial crisis was not over and it was still possible that some smaller financial institutions may run into difficulty as the new year progressed. Brighton & Hove remained cautious in terms of investments and the department was closely monitoring the position in respect of decisions on where to lend money. The policy of repayment of debt was continuing as this reduced investment risk and was financially beneficial to the council overall. The set borrowing limits had not been exceeded and returns on investments were significantly higher than both internal and external benchmarks. The capital financing budget was currently £400,000 underspent, but this was now likely to remain static for the remainder of the year. He noted that the Council would need to begin borrowing in the near future, and would need to decide at what point to start this to take the best advantage of the current situation. Finally he added that a Members seminar on treasury management was being held on 19 January 2010.

- 45.3 The Chairman asked if there were any questions and Councillor Smith asked why the Council was not borrowing money now to take advantage of the low interest rates. Mr Ireland stated that all of the Council's borrowing and investment requirements were considered regularly by officers. He added that the Council needed a reason to borrow money before advantage could be taken of any low rates, but the markets were examined every day to assess the situation accurately.
- 45.4 Councillor Mrs Theobald asked what involvement members had with treasury management at the Council and Mr Ireland replied that the key annual reports went to Full Council and Cabinet and Audit Committee Members would also receive regular reports.
- 45.5 Councillor Simpson asked questions around the repayment of debt on the Housing account and Councillor Oxley responded that this was a very technical and complex area of treasury management. He stated that officers were able to give Councillors excellent individual explanations of the management of this account. Essentially, the HRA subsidy is based on 'notional' assumptions about HRA debt rather than actual debt and interest levels. Changes in actual debt can therefore cause increases or decreases in the subsidy payable.
- 45.6 Councillor Watkins believed the report showed the Council was doing well in terms of treasury management and asked how the authority compared with other Councils. Mr Ireland replied that it was difficult to make accurate comparisons as each Council had individual factors affecting it. He added that the only area that could be reliably compared was performance on investments and the Council was in the top quartile for this.
- 45.7 **RESOLVED** – That the report is noted.

46. AUDIT COMMISSION UPDATE AND AUDIT & INSPECTION PLAN

- 46.1 The Committee considered an update from the Audit Commission and an oral report on the Audit & Inspection Plan.
- 46.2 The District Auditor, Ms Helen Thompson, addressed the Committee and stated that work for the 2008/09 period was completed and work on the 2009/10 year was

beginning. The Pre-Audit Statement was in progress and currently running to timetable, and discussions with officers were taking place with regarding to timings of work. The Audit Progress report would be updated and brought back to a subsequent Audit Committee meeting.

Ms Thompson recognised that a commitment had been made by the Audit Commission for the CAA Lead for Sussex, Ms Prail, to address the Committee, but she stated that due to other commitments across the area Ms Prail had been unable to make this meeting. She would attend at the earliest available opportunity in the new year. The results of the CAA had been published on the One Place website, but as the process was ongoing rather than annual, it would be updated on a more informal but regular basis.

46.3 The Chairman asked if Ms Prail would be able to attend the March 2010 Audit Committee meeting and Ms Thompson replied that she would look into this.

46.4 **RESOLVED** – That the update and the Audit and Inspection Plan work is noted.

47. AUDIT COMMISSION: GOOD GOVERNANCE REPORT

47.1 The Committee considered a report from the Director of Strategy & Governance regarding the Good Governance Review and report from the Audit Commission (for a copy see minute book).

47.2 Ms Thompson briefly introduced the Audit Commission's report on Good Governance and noted that the fieldwork for evidence for this report had been conducted at the end of 2008 and beginning of 2009. The draft report had been produced early in 2009, but for various reasons had taken time to finalise. She added however that there were very few differences between the draft report and the final report.

The main findings of the report were that the Constitutional and governance arrangements at Brighton & Hove City Council were robust and strong. There was recognition that there had been a major change in the way the Council conducted its governance arrangements resulting from the introduction of the new constitution and that this had a noticeable effect on the culture and operation of the authority. The District Auditor, Ms Thompson, believed the report reflected this inevitable settling in period, but highlighted that the organisation could not be complacent with regard to its own arrangements and suggested areas where improvements might be made in the form of an action plan (appended to the Audit Commission's report). She added that the Audit Commission was not criticising the Council, but felt that it was important to regularly review and monitor arrangements to ensure they were strong and transparent.

47.3 The Head of Law introduced the officer's review of the Good Governance report and felt that the work of the Audit Commission was useful and overall complimentary of the Council's arrangements. A number of strengths in the Council's current arrangements were identified in the report including the constitutional arrangements, partnership working, community engagement, Member development and Member conduct. The report identifies areas for improvement, but the Head of Law reiterated that these have to be seen in the proper context. The fieldwork had been conducted between October 2008 and March 2009 shortly after a new Constitution had been introduced with a

relatively new administration. This was therefore a period of adjustment and it is not surprising that Members and Officers felt unsure about aspects of the new arrangements. The action plan records improvements that have already taken place and others to be implemented in the coming months. The Head of Law thanked the Audit Commission for the work they had done in identifying these areas.

- 47.4 The Chairman asked if there were any questions and Councillor Kitcat asked whether the Council had contracted this report from the Audit Commission or whether it was part of the regular programme of work the Audit Commission performed.

Ms Thompson replied that examination of governance arrangements was part of the Code of Practice for authorities, but it was also something the Audit Commission had identified as necessary for Brighton & Hove City Council as a result of issues that had emerged from the 2007 Comprehensive Performance Assessment, which had highlighted governance as an area that needed reviewing. This work was delayed until the new arrangements were introduced, and could act as a compliment to the work of the Council on the six month review of the new Constitution.

- 47.5 Councillor Kitcat was concerned there had been significant changes between the draft report and the final report and asked who had been responsible for negotiating these changes with the Audit Commission. Ms Thompson stated that the draft report had been written in the Audit Commission's "house style", which formulated a judgement, gave reasons for the judgement and assessed why this judgement was important. She recognised that this could often come across as austere and direct. There was a need to factor in the special circumstances of the Council at the time the evidence was gathered, and to make the report more encompassing of the situation the authority faced than was expressed in the original. This process had taken some time to achieve, but Ms Thompson recognised that the length of time between the draft report and the final report was unacceptable and assured Councillors that this would not happen in the future.
- 47.6 The Head of Law stated that the essence of the final report was the same as the original draft and the recommendations from the Commission were essentially the same. There had been no Member involvement in between the draft and final stage, and the first Members to see the report had been the Chairman and Deputy Chairman of Audit Committee. He added that all of the changes made to the report had either been factual or contextual and were necessary for a complete report.
- 47.7 Councillor Kitcat believed that the way in which the Council ran Cabinet Member Meetings was unusual when compared with other Councils and asked why this was not referred to in the report.

The Head of Law stated that this area of work was identified in the report, as originally there had been the perception that many of the reports going to Cabinet Member Meetings were simply for 'noting' and this was not an efficient use of time for the authority. However, following the six month review of the Constitution, the reporting processes and delegations had changed to reflect a more streamlined approach. This is also an area that has been considered as part of the 12 month Constitution review of the constitution and there will be proposals to change some of the CMMs.

The Head of Law understood that most other authorities did not hold Cabinet Member Meetings in public and decisions in these authorities were taken in private. However, when the new system had originally been designed at Brighton & Hove City Council, there was a commitment by members and officers to ensure the new system was as transparent and open as possible. He added that officers remained up-to-date with what other authorities were doing in this area, but he believed Brighton & Hove had formulated the most open and inclusive system as possible.

- 47.8 The Chairman agreed that Brighton & Hove City Council had worked very hard to achieve the best system possible and thanked Councillor Oxley, who had led on the project, for his commitment to developing such a transparent system. Councillor Watkins agreed with this statement.
- 47.9 Councillor Oxley felt that the current situation in Brighton & Hove was quite different from when the fieldwork was undertaken for the report, and this was not reflected in the final version. He stated that the 12 month Constitution review would be much more in-depth and contain many more suggestions that further developed the recommendations in the Good Governance report. The Overview & Scrutiny function had been looked at, and further work would be undertaken on Cabinet Member Meetings, although when the system had originally been introduced, there was concern across the Council that it would be a very closed system, and a conscious effort was made to give open access to both Council Members and members of the public and press. He felt the report was valuable and important, but it was important to recognise how far the Council had developed from the point when the evidence base had been gathered.
- 47.10 Councillor Mrs Theobald asked about the recommendations regarding raising the profile of the Standards Committee and the Head of Law stated that the Independent Chairman had already visited with Group Leaders and Groups, there was ongoing discussion and consultation around standards issues at the Council, and the Annual Report of the Standards Committee would be coming to Full Council in the new year, and would reflect the work that had been done, and was being done, to develop standards further. Councillor Oxley added that the Chairman of Standards Committee had been invited to the Governance Committee to discuss the recommendations from this report.
- 47.11 Councillor Mrs Theobald expressed concern that the report stated that the Cabinet structure did not support efficient and effective decision making, but Councillor Oxley felt this was no longer a concern as effective measures had been put in place after the six month Constitution review to help streamline the Cabinet portfolios and make meetings more effective. Ms Thompson added that at the time of assessment between December 2008 and February 2009 the Cabinet structure had not been working effectively. The Commission had not conducted follow-up work to assess the current situation however, but felt this could be assessed as part of the Commission's Use of Resources work for 2009/10.
- 47.12 Councillor Mrs Theobald expressed concern that the report highlighted problems with the Council developing a more user-friendly approach to performance reporting information and Councillor Oxley stated that this had been recognised and work was in progress in this area. Ms Thompson added that she had met with the current Chief Executive and this was a clear area he was focussing on for improvement. The Assistant Director, Improvement & Organisational Development agreed that this was an

area under review and was aware there was a high density of information produced by the authority that was complex for both members and members of the public.

47.13 RESOLVED –

1. That the report of the Audit Commission is noted; and
2. That the proposed action in response to the recommendations of the Commission as set out in the action plan, listed at appendix 1 to the Commission's report, is noted.

48. AUDIT COMMISSION: REVIEW OF INTERNAL AUDIT

- 48.1 The Committee considered a report from the Audit Commission regarding the Review of Internal Audit (for a copy see minute book).
- 48.2 The Audit Manager for Sussex, Mr Grahame Brown, addressed the Committee and stated that the Internal Audit department had been fully co-operative with the review process and the service was found to be overall compliant and effective in all elements of the CIPFA code of practice.
- 48.3 Councillor Kitcat asked if more audit work was being undertaken by the Council's internal audit function, and what impact this would have on the service. Mr Brown stated that there had been a programme of managed audits developed by the Commission, and at times where there was a heavy workload, they had relied upon Internal Audit to help with some of the programme. This was an ongoing process and wherever possible, the Commission would seek for Internal Audit to conduct work as this option was less expensive for the Council. He added that the housing benefits audit had been a particular success as Internal Audit had a good working relationship with the housing department, which had helped to ease the process.
- 48.4 Councillor Kitcat was concerned that this extra work would adversely affect the outcomes for Internal Audit and Ms Thompson replied that any extra work was negotiated with the service, and many of the reviews had to be externally assessed for quality assurance. She recognised that there was an element of re-performance in this practice, but cost-effectiveness was continually assessed and the programme developed according to this.
- 48.5 **RESOLVED** – That the report is noted.

49. AUDIT COMMISSION: ANNUAL AUDIT LETTER 2008/09

- 49.1 The Committee considered a report from the Audit Commission regarding the Annual Audit Letter (for a copy see minute book).
- 49.2 Ms Thompson addressed the Committee and stated that this report was a summary of the Annual Governance report and Annual Audit Letter, which had been given an unqualified audit opinion at the end of September 2009. Some concerns had been noted, a small additional fee charged and these were summarised in the report. The overall score for Value for Money and Use of Resources was 3 and Ms Thompson

thanked the officers of Brighton & Hove City Council for their help throughout the year on the audit process.

- 49.3 The Chairman raised concern that the same comments regarding internal controls of the payroll system had been made by the Commission for the second year in a row. Mr Brown agreed that extensive discussions had taken place last year regarding this area and certain arrangements had been put in place to rectify the issues. Whilst there was no longer a 'material' problem and no major failings had been found, it was felt that the controls needed to be tightened as there was an opportunity for failure inherent in the current system. The Head of Audit & Business Risk added that the department was moving in the right direction and would be introducing a new system in May 2010 to help with this.
- 49.4 Councillor Kitcat felt that the proposed Members IT Working Group would have helped to progress this situation further, and Councillor Oxley replied that the IT Working Group was currently being set up, but had unfortunately been delayed due to the departure of the current Head of ICT.
- 49.5 Councillor Oxley asked if the scores achieved by the Council for this year's audit were harder to achieve than last year's scores and Ms Thompson agreed that this was the case. She stated that the biggest difference had come in the way Use of Resources was achieved as there was now a need to demonstrate good outcomes as well as processes. There were now fewer authorities with a high level of scoring because of this new focus. Governance of the business was also much more difficult to evidence for outcomes. There was expected to be more development around outcomes in asset management, and in 2009/10 asset management and workforce planning would be the focus rather than natural resources. Ms Thompson believed this would help to reduce the burden on councils.
- 49.6 **RESOLVED** – That the report is noted.

50. AUDIT & BUSINESS RISK PROGRESS REPORT

- 50.1 The Committee considered a report from the Director of Finance & Resources regarding the Audit & Business Risk Progress Report (for a copy see minute book).
- 50.2 The Head of Audit & Business Risk, Mr Ian Withers, addressed the Committee and stated that this was a normal periodic report and the service was constantly assessing risks and developing the plan according to this. He added that resourcing in the Internal Audit Team was still an issue and there was currently one vacancy in the team. Recent final audits had produced three audits with limited assurance and action plans had been implemented to address these weaknesses. The counter fraud audit would form a separate report for the March 2010 committee and the counter fraud risk analysis and loss measurement details were currently with Deloitte. There was quality assurance work being conducted around equal pay and the team were generally meeting their targets and were on course to meet the plan for the year.
- 50.3 The Chairman asked if the team were aiming to achieve completion of 91 per cent of programmed audits and Mr Withers confirmed this.

- 50.4 The Chairman noted the limited assurance given on seafront services and asked if the relevant Cabinet Member had been made aware of the situation, and whether the issues were being addressed. Mr Withers confirmed that the Cabinet Member should have been informed and an action plan had been put in place.
- 50.5 Councillor Mrs Theobald noted the requested audit on the Mayoral Charities and asked for more details. Mr Withers confirmed that the audit would be assessing how the accounts for the charities were internally audited and managed and how money transactions were being recorded.
- 50.6 Councillor Oxley asked who made the request for the charities to be audited and Mr Withers replied that the request had come from an officer in the relevant department. He added that he would risk assess any requested audits to ensure they were appropriate. Councillor Oxley asked for more details on requested audits to be included in future reports and Mr Withers agreed to this.
- 50.7 **RESOLVED** – That the contents of the report are noted.

51. ANNUAL GOVERNANCE STATEMENT 2008/09 - ACTION PLAN PROGRESS UPDATE

- 51.1 The Committee considered a report from the Director of Finance & Resources regarding the Annual Governance Statement 2008/09 – Action Plan Progress Update (for a copy see minute book).
- 51.2 Mr Withers introduced the report and stated that it was good practice for the Audit Committee to remain updated on the Annual Governance Statement as it was the Committee's responsibility to ensure the action plan was implemented.
- 51.3 The Chairman asked if there was a specific timeframe related to actions in the plan and Ms Thompson replied that the Audit Commission would look at the Statement to see if it was consistent with the Commission's knowledge of the Council. If a risk emerged the Commission would expect it to be reflected accordingly and that if there is a plan, it is being addressed properly. She stated that the Commission was satisfied providing there were good processes in place.
- 51.4 Councillor Kitcat felt there was a lack of rigour shown in development of the scrutiny process and asked if any more actions would be forthcoming in this area. Ms Thompson replied that the process was showing better outcomes and there was now a new Head of Overview & Scrutiny in place. She added that it was an ongoing process, but the Commission was satisfied with the progress so far. Councillor Oxley added that there had recently been a review of scrutiny, with a number of recommendations accepted by the Overview and Scrutiny Commission. Many previous concerns had been addressed and a need for collaborative working had been recognised.
- 51.5 **RESOLVED** – That the progress on the actions agreed in the Annual Governance Statement for 2008/09 are noted.

52. TARGETED BUDGET MANAGEMENT (TBM) MONTH 6

- 52.1 The Committee considered a report from the Director of Finance and Resources regarding the Targeted Budget Management (TBM) month six report (for a copy see minute book).
- 52.2 **RESOLVED** – That the decision made by Cabinet on 12 November 2009 in respect of Targeted Budget Management month six are noted.

53. CORPORATE RISK AND OPPORTUNITY REGISTER UPDATE

- 53.1 The Committee considered a report from the Director of Finance & Resources regarding the Corporate Risk and Opportunity Register Update (for a copy see minute book).
- 53.2 The Risk and Opportunity Manager, Ms Jackie Algar, addressed the Committee and stated that the register had been refreshed following the six month update of strategic risks. The Management Team approved the new register and this was submitted to Cabinet on 18 November 2009 for information and was available to the Audit Committee for comment.

Ms Algar explained that a new software system had been introduced and the information contained in the Risk Maps had slightly changed to include a new column to indicate “potential” risks. Other elements to the Risk Maps had remained the same, such as the likelihood scores and the direction of travel arrows.

The main changes to the Corporate Risk Register were that CR2: Financial Outlook for the Council, had been moved to the top of the register, CR13: Waste Reduction and Disposal had moved down the register because of the ongoing work with the waste PFI contract to mitigate this risk, CR1: Council Housing Stock Condition had moved down the register due to ongoing work and a new Corporate Risk had been added: CR18: Protection of Vulnerable Children. This Risk had been introduced because of national legislative changes, and the cost implications of these to the Council.

Ms Algar added that prioritising risks, refreshing the register and ensuring those risks that were successfully managed were removed from the registered formed good practice in risk and opportunity management. As such, three risks had been removed from the register because they were now mainstreamed into Council functions and there were measures in place to ameliorate the risks.

- 53.3 Councillor Hamilton asked if individual Risk Maps were still available for review by the Committee and Ms Algar replied that they would be and she would be demonstrating the software for this later on in the meeting.
- 53.4 Councillor Watkins raised concerns about the removal of CR6: Civil Resilience as he felt this was a very critical area and noted that the impact on the Council was unknown. Ms Algar stated that the “risk scenario” was the position recorded six months ago, but the last column demonstrated why this risk could now be removed. Councillor Watkins remained concerned that these risks were no longer on the register.

- 53.5 The Chairman agreed with Councillor Watkins but understood the process of reviewing the Risk Register and the need to remove risks once they had been dealt with effectively.
- 53.6 Councillor Kitcat concurred with the Chairman and stated that risks needed to be managed and removed when it was felt that the Council was effectively coping with the risk.
- 53.7 Councillor Watkins remained concerned that once a risk was removed from the register there was no Members' forum where it could be reviewed to ensure it continued to be effectively managed. Councillor Kitcat stated that the Risk Register was a tool for managing risks and took a snapshot of the main risks at the point it was produced. He added that if Members were concerned that there was a lack of Member involvement in managing the risks, then this should be raised with the relevant Cabinet Member for the risk. Ms Algar stated that the ROM Strategy was approved by Cabinet, but the risks were identified and are managed by officers who were more involved in the technical details of the risks. The Cabinet/TMT forum agreed the updated risk register and it was now for the Audit Committee to ensure that those risks that were agreed on the register were being managed appropriately.
- 53.8 Councillor Oxley noted that officers briefed Cabinet Members on the Risk Register and took views on the risks presented, but it was ultimately down to officer judgement as to which risks were included or removed. He added however that there was now a greater emphasis for Cabinet Members on the Risk Register.
- 53.9 Councillor Smith stated that as a Cabinet Member he always asked lots of questions around the risks within his portfolio. He recognised that some of the risks were major but there was continual improvements made by officers to ensure these risks were managed effectively. He added that the Risk Registers helped to manage risks appropriately.
- 53.10 Ms Thompson stated that the Audit Committee were entitled to take an independent view on the Risk Register, and if it was the belief of the Committee that an important risk had been removed, this was the opportunity to add to the Risk Register.
- 53.11 Councillor Watkins stated that he would feel more comfortable with the process if he was assured that the risks to be removed had been taken to the relevant Cabinet Member, and that Member had agreed the removal of the risk. Ms Algar stated that TMT set the Risk Register and Cabinet Members were briefed on this by the Directors, although she was unsure how often this process took place or what effectiveness it had.
- 53.12 Councillor Kitcat agreed with Councillor Watkins and felt Cabinet Members should be approving removal of risks that were a top priority for the Council.
- 53.13 Mr Brown noted in the Good Governance Report that risk management arrangements involving other partners was recognised by the Council as an area for improvement. He asked what arrangements had been put in place to develop this. Ms Algar replied that the Council recognised that more assurance reporting and standardisation and sharing of risk registers needed to take place. In light of this, the Children and Young People's Trust (CYPT) Risk Registers would be added to the risk management system from

January 2010 and the sharing of these registers and the Council's Corporate Risk Register would take place between the Council, the CYPT and Southdowns in April 2010. The sharing of Risk Registers for Audit Services would be led by the Risk Manager for Southdowns, and the sharing of registers with other partners such as the LAA partners would be via a rescheduled ROM workshop for February/March 2010 where joint registers would be formulated.

53.14 The Chairman noted that when the Risk Register altered it was reported to Cabinet for information. He requested that the Cabinet Member agreed the removal of any risks beforehand. Councillor Oxley stated that he and Councillor Smith would progress this issue with Cabinet Members and Councillor Smith added that Members needed to be aware of the entire risk picture. The Chairman asked that confirmation be given to the Audit Committee that a risk had been agreed for removal by the relevant Cabinet Member when the updated registers became available for information to the Audit Committee.

53.15 **RESOLVED** – That the Corporate Risk Register 2009-10 is noted.

54. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING - EXEMPT CATEGORY 3

54.1 The Chairman was requested to approve and sign the non-public minutes of the meeting held on 29 September 2009.

55. CORPORATE RISK MANAGEMENT ACTION PLAN FOCUS - EXEMPT CATEGORY 3

55.1 The Committee considered a presentation and software demonstration from the Risk and Opportunity Manager regarding the Corporate Risk Management Action Plan Focus.

55.2 The Members discussed the contents of the presentation and felt that a way forward would be for the relevant Cabinet Member to be consulted and to give final agreement before corporate risks were removed from the register.

The meeting concluded at 6.30pm

Signed

Chair

Dated this

day of

Subject:	<i>Treasury Management Policy Statement 2010/11</i>		
Date of Meeting:	30 March 2010 – Audit Committee 11 March 2010 – Cabinet		
Report of:	<i>Director of Finance & Resources</i>		
Contact Officer:	Name: Peter Sargent	Tel: 29-1241	
	E-mail: peter.sargent@brighton-hove.gov.uk		
Key Decision:	Yes	Forward Plan No: CAB6519	
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 Part 1 of the Local Government Act 2003, which introduced a new capital finance system with effect from April 2004, requires each local authority, inter alia, to:
- Comply with the requirements of ‘the Code of Practice for Treasury Management in the Public Services’ issued by CIPFA; and
 - Comply with investment guidance issued by the Secretary of State.
- 1.2 The Code of Practice requires each local authority to set out its strategy on treasury management for the forthcoming year. The purpose of this report is to recommend a treasury management policy statement (TMPS) and treasury management practices for the financial year commencing 1 April 2010.
- 1.3 The investment guidance relates to the annual investment strategy, which is subject to a separate report to Cabinet and Full Council.

2. RECOMMENDATION:

For Cabinet:

- 2.1 That Cabinet approves:
- (a) The Treasury Management Policy Statement 2010/11 as set out in Appendix 1 to this report.
 - (b) The Treasury Management Practices 2010/11 as set out in Appendix 2 to this report.
 - (c) The Schedules to the Treasury Management Practices 2010/11 as set out in Appendix 3 to this report.
- 2.2 For Audit Committee:
- (a) That Audit Committee notes the report.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The recommended TMPS at Appendix 1 for the year commencing 1 April 2010 is unchanged from the 2009/2010 Statement and follows the drafting format within the Code of Practice.
- 3.2 The treasury management practices at Appendix 2 identify the practices and procedures that will be followed to achieve the aims of the Statement. These practices remain unchanged from previous years with one exception and are considered 'best practice' under the Code. The exception is around training where specific training on treasury management is now available for Members. Details are set out under TMP10 in Appendix 2.
- 3.3 The treasury management practices are supplemented by a number of "schedules" (Appendix 3). These schedules contain specific details of the systems and routines to be employed and the records to be maintained which underpin the treasury management function.
- 3.4 The 2010/11 Strategy concentrates on managing the risk of when to undertake new long-term borrowing. If borrowing is taken too early the difference between the borrowing rate (currently 4¼-4½%) and the investment rate (currently around 1-1¼%) will place severe pressures on the revenue budget in the short-term. If the decision is delayed there is a possibility that long-term interest rates would have risen, placing pressures on the revenue budget in the long-term. The TMPS 2010/11 sets out measures targeted to reduce this risk through a series of forward deals, variable rate borrowing and short-term borrowing.
- 3.5 Treasury management is included within the assessment of 'Financial standing' under the Audit Commission's comprehensive performance assessment. One of the criteria applied to judge and inform this enquiry is that "The council has a treasury management strategy that reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services". This report satisfies in full this criteria.
- 3.6 The treasury management service is subject to detailed audit each year. The most recent audit on the service concluded that "Full assurance is given to the control environment operating and management of risks for Treasury Management". The 2010/11 TMPS builds on this position.
- 3.7 Under the Prudential Code a number of prudential indicators must be set annually by the council prior to the commencement of the financial year. The 'General Fund Revenue Budget & Council Tax 2010/11' report to Cabinet on 11th February 2010 recommended, and full Council on 25th February 2010 approved, the indicators for 2010/11. The schedules to the treasury management practices include, where appropriate, the approved 2010/2011 indicators.

4. REFORM OF COUNCIL HOUSING FINANCE:

- 4.1 The Government's recent consultation document of the reform to council housing finance includes an option for the redistribution of debt amongst housing authorities. It is currently unclear what impact this would have on the council's treasury management policy statement but any revisions necessary to the Statement will be reported to Cabinet when known.

5. CONSULTATION:

- 5.1 The council's external treasury advisor has been consulted. The council's Head of Audit & Business Risk has been consulted on the section on money laundering.

6. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 6.1 The financial implications arising from the recommendations in this report are included in the Financing Costs budget.
- 6.2 Cabinet agreed at the meeting on 20 November 2008 to earmark the surplus generated on the Financing Costs budget in 2008/09 towards the anticipated shortfall in investment income in 2009/10 through to 2011/12 as a result of lower investment rates.

Finance Officer consulted: Peter Sargent

Date: 11/02/10

Legal Implications:

- 6.3 The Code of Practice on treasury management is defined in regulations under Part 1 of the 2003 Act as 'guidance' that local authorities must take into account. The Director of Finance & Resources is satisfied that the recommendation in this report is consistent with the Code.
- 6.4 There are no direct human rights implications arising from this report.

Lawyer consulted: Abraham Ghebre-Ghiorghis

Date: 18/02/10

Equalities Implications:

- 6.5 None directly arising from this report.

Sustainability Implications:

- 6.6 None directly arising from this report.

Crime & Disorder Implications:

- 6.7 None directly arising from this report

Risk & Opportunity Management Implications:

- 6.8 Risk assessment is contained within the treasury management practices

Corporate / Citywide Implications:

- 6.9 An efficient & effective treasury management system will help to minimise the revenue impact of financing the council's capital investment plans

7. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 7.1 This report sets out the council's treasury management policy statement for the year commencing 1 April 2010. The TMPS continues with the strong emphasis on risk management and the impact this may have on the performance of the treasury management service.

8. REASONS FOR REPORT RECOMMENDATIONS:

- 8.1 Codes of practice issued under the Local Government Act 2003 require the council to approve an annual treasury management policy statement. This report fulfils that requirement.

SUPPORTING DOCUMENTATION

Appendices:

1. Treasury Management Policy Statement 2010/11
2. Treasury Management Practices 2010/11
3. Schedules to the Treasury Management Practices 2010/11

Documents in Members' Rooms:

None.

Background Documents:

1. Part 1 of the Local Government Act 2003.
2. 'Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes' published by CIPFA second edition 2009.
3. 'Treasury Management in the Public Services – Guidance notes for local authorities ...' published by CIPFA third edition 2009.
4. 'The Prudential Code for Capital Finance in Local Authorities' published by CIPFA second edition 2009.
5. Brighton & Hove City Council Anti-Money Laundering Policy approved by full Council on 19 January 2006.

Brighton & Hove City Council
Treasury Management Policy Statement 2010/2011

The following paragraphs set out the council's Treasury Management Policy Statement for the year commencing 1 April 2010

1. The council defines its treasury management activities as

“The management of the organisation’s cash flows, its bankings, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2. The council regards the successful identification, monitoring and management of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly the analysis and reporting of treasury management activities will focus on their risk implications for the council;
3. The council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management and to employing suitable performance measurement techniques within the context of effective risk management.

Brighton & Hove City Council
Treasury Management Practices ('TMPs') 2010/2011

The council's treasury management practices identify the practices and procedures that will be followed to achieve the aims of the Treasury Management Policy Statement. The TMP's follow the guidance issued by the Chartered Institute of Public Finance & Accountancy and are, with one exception, unaltered from the 2009/2010 Statement. The exception relates to training for Members and this is set out under TMP10 below.

Full details of all TMP's are held in Strategic Finance, Finance & Resources but in summary the Statements cover the following areas:

- **TMP1: Risk Management**
 - Includes a statement on the following risks
 - credit and counterparty risk management
 - liquidity risk management
 - interest rate risk management
 - exchange rate risk management
 - inflation risk management
 - refinancing risk management
 - legal and regulatory risk management
 - fraud, error and corruption, and contingency management
 - market management risks
- **TMP2: Performance Measurement**
- **TMP3: Decision-making & Analysis**
- **TMP4: Approved Instruments, Methods & Techniques**
- **TMP5: Organisation, Clarity & Segregation of Responsibilities & Dealing Arrangements**
- **TMP6: Reporting Arrangements & Management Information Arrangements**
- **TMP7: Budgeting, Accounting & Audit Arrangements**
- **TMP8: Cash & Cash Flow Management**
- **TMP9: Money Laundering**
- **TMP10: Training & Qualifications**

Appendum – “The Director of Finance & Resources will ensure that Cabinet and other Members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively. The present arrangements are detailed in the schedule to this document”

- **TMP11: Use of External Service Providers**
- **TMP12: Corporate Governance**

Details of the systems and routines to be employed and the records to be maintained that underpin the treasury management function and match the above practices are set out in the Schedules attached to these practices.

Brighton & Hove City Council
Schedules to Treasury Management Practices 2010/2011

(Note – Prudential indicators are set out in Supplement 1 to this Appendix)

Schedule 1 – Risk management

Credit & counterparty policies

- Criteria to be used for creating / managing approved counterparty lists / limits

The Annual Investment Strategy 2010/2011 sets out the council's policy on investment criteria and counterparties. The Strategy is subject to separate approval by full Council and will be appended to this report when approved.

Investment for periods longer than 364 days will be in accordance with prudential indicator (E4).

Liquidity risk management

- Amounts of approved minimum cash balances and short-term investments

The level of cash balance, reserves and provisions will be determined annually by the council in accordance with the decision made in setting the council tax, housing rents and capital investment programmes.

The profile of cash investments will be determined by:

- spending programmes approved by the council;
- the need to balance daily cash flow surpluses with cash flow shortages;
- the need to balance investment risk with interest rate risk during the period of high uncertainty within the financial markets and low interest rates; and
- interest rates over the short- to medium-term.

Regular reviews will be undertaken throughout the year to ensure an optimum mix of maturity periods is maintained for all investments.

Fuller details on cash flow management and projections are contained in Schedule 8.

- Details of short-term funding facilities

The council has an overdraft facility with the Co-operative Bank plc of £1 million. In addition the council has access to the Bank's treasury operations and the short-term money markets via a number of direct lines and money brokers.

Interest rate

- Details of approved interest rate exposure limits

The council will continue to maintain a high proportion of its debt portfolio on fixed rate terms. This will maintain the stability in the overall cost of borrowing.

The early repayment of debt in the past 12-18 months has increased the interest rate exposure to the council (Table1)

Table 1 – Interest rate risk 2010/11 to 2012/13

Projected balances as at	March 11	March 12	March 13
Borrowing requirement – end of year (Table 5)	£270m	£278m	£277m
Projected long-term borrowing – end of year	£199m	£217m	£217m
Projected balance subject to interest rate risk	£71m	£61m	£60m

Item 64: Appendix 3

The uncertainty over future interest rates increases the risks associated with treasury activity. The option of postponing borrowing and running down investment balances will continue to be considered but the scope is limited (Table 2).

Table 2 – Investments available to fund additional borrowing requirement 2010/11 to 2012/13

	2010/11	2011/12	2012/13
Increase in borrowing requirement (Table 5)	£12m	£8m	-£1m
Maturing debt (Table 4)	£0m	£6m	£0m
Total borrowing requirement – annual	£12m	£14m	-1m
Total borrowing requirement - cumulative	£12m	£26m	£25m
Projected investments – end of year	£30m	£32m	£35m

Exposure to variable rate loans will be considered where it can be justified that this offers a better alternative than fixed term loans. The council will continue to review and, where appropriate, implement debt restructuring opportunities that:

- result in a reduction in the overall cost of the debt portfolio, and
- do not adversely affect the (a) stability of the portfolio or (b) exposure to interest rate movements.

The council will maintain an investment portfolio that is consistent with its long term funding requirements, spending plans and cash flow movements.

- Trigger points and other guidelines for managing changes to interest rate levels

The council will manage its debt and investment portfolios so that the financial impact of any adverse movement in interest rates on each portfolio is minimised.

The council will seek to benefit from changes in interest rates:

- for borrowing, through a combination of debt restructuring and the timing and terms (e.g. fixed/ variable) of new borrowing, and
- for investments, through an adjustment to the average maturity profile of the investment portfolio.

- Minimum / maximum proportions of variable & fixed rate debt / interest

Exposure to fixed rate and variable rate loans will be in accordance with prudential indicators (E2) & (E2a).

- Interest rate prospects (source : Butlers January 2010)

A projection of interest rates over the medium term is set out in Table 3 below. A commentary on the financial markets and prospects for future interest rates is contained in Supplement 2 to these Schedules.

Table 3 – Interest Rates April 2010 to March 2013 (annual averages)

	Bank Rate	Short-term rates		Long-term rates		
		3 mth	1 year	5 year	20 year	50 year
2010/11	1.0%	1.5%	2.3%	4.0%	5.0%	5.2%
2011/12	2.0%	2.5%	3.3%	4.3%	5.3%	5.3%
2012/13	4.5%	4.8%	5.3%	5.3%	5.5%	5.3%

- Policies concerning the use of financial derivatives for interest rate management
The council has no statutory power to use financial derivatives.

Exchange rate

- Details of approved exchange rate exposure limits for cash investments / debt

Item 64: Appendix 3

The council does not undertake treasury activity in any currency other than Sterling. Any non-Sterling transactions effected in the course of service delivery will be subject to the appropriate currency exchange charges and risk, except in the case of fees and charges due to the council, where the council shall receive the full Sterling equivalent after exchange rate and other transaction costs. Non-sterling transactions will be converted at the point of payment or receipt to avoid any exchange rate risk.

- Approved criteria for managing changes in exchange rate levels

The council has no approved criteria.

- Policies concerning the use of financial derivatives for exchange rate risk management

The council has no statutory power to use financial derivatives.

Inflation

- Details of approved inflation exposure limits for cash investments / debt

The council does not operate separate exposure limits for inflation. Instead the council uses its policies on interest rate exposure to minimise the financial impact that any movement in inflation may have on the interest rate structure.

The council further manages inflation risk through its budgeting and monitoring processes. Details of these processes are held in Strategic Finance / Financial Services, Finance & Resources.

- Approved criteria for managing changes in inflation levels

The council has no approved criteria.

- Policies concerning the use of financial derivatives for inflation risk management

The council has no statutory power to use financial derivatives.

Credit & counterparty policies

- Criteria to be used for creating / managing approved counterparty lists / limits

The Annual Investment Strategy 2010/2011 sets out the council's policy on investment criteria and counterparties. The Strategy is subject to separate approval by full Council and will be appended to this report when approved.

Investment for periods longer than 364 days will be in accordance with prudential indicator (E4).

Refinancing

- Debt / other capital financing maturity profiling, policies and practices

Table 4 shows debt maturing at £6m over the next 3 years. The table also includes the loans where the lender may vary the interest rate and the council, then, has the right to repay. Based on the latest interest rate projections (Table 3) it is considered unlikely that these loans will be repaid early.

Table 4 – Projected debt maturity 2010/11 to 2012/13

		2010/11	2011/12	2012/13
Maturing debt		£0m	£6m	£0m
Debt subject to early repayment options		£30m	£35m	£30m
Debt maturing range	Minimum	£0m	£6m	£0m
	Maximum	£30m	£41m	£30m

Item 64: Appendix 3

Refinancing opportunities will be evaluated against the risk within the council's investment portfolio. Where it is considered prudent to do so, maturing debt may temporarily be met through a reduction in investments.

Debt restructuring will continue to be used where it meets the long-term objectives of the debt portfolio. The council will seek to minimise the level of debt that potentially could be repaid in any one year through the re-negotiation of existing terms.

- Projected capital investment requirements

Over the next three years net new borrowing (i.e. after providing for debt repayment) to meet capital investment is projected at circa £19m (Table 5).

Table 5 – Projected annual borrowing requirement 2010/11 to 2012/13

Projected balances as at	2010/11	2011/12	2012/13
Borrowing requirement – start of year	£258m	£270m	£278m
Borrowing requirement – end of year	£270m	£278m	£277m
Increase in borrowing requirement	£12m	£8m	-£1m

Long-term fixed interest rates are at risk of being higher over the next few years and short term rates are expected to rise, although more modestly (Table 3). The Director of Finance & Resources will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, including:

- borrowing in advance of need provided the projected borrowing requirement is not exceeded by March 2013, and
- forward borrowing (i.e. agreeing to borrow at a future date).

The extent of new borrowing will be dependant upon improvements within the financial markets during the period. Opportunities to reduce interest rate risk will be evaluated against the risk within the council's investment portfolio. Where it is considered prudent to do so, the increase in the borrowing requirement may temporarily be met through short-term borrowing.

Total new borrowing will be on terms consistent with the long-term objectives of the debt portfolio.

- Maturity profile – borrowing

The maturity profile of fixed rate debt will be maintained in accordance with prudential indicator (E3). Other forms of funding such as leasing and private finance initiatives are subject to separate terms agreed under each arrangement.

- Policy concerning limits on revenue consequences of capital financing

The revenue implications of the capital investment programme are reported to the council under a separate process to treasury management. Supported debt is met corporately through the Financing Costs budget, whilst unsupported debt is met from service department revenue block allocations.

Legal & regulatory

- References to relevant statutes and regulations

Chapter 1, Part 1 of the Local Government Act 2003 (and related regulations, orders and guidance) govern the council in its treasury dealings. Details of the provisions within the 2003 Act are held within Strategic Finance. The Act also imposes a duty on the council to comply with the prudential code and treasury management code, both issued by the Chartered Institute of Public Finance & Accountancy ('CIPFA').

Item 64: Appendix 3

Sections 32 & 33 of the Local Government Act 1992 require the council to set a fully funded budget. This requirement has an impact on the council in setting its' limit on affordability borrowing.

All treasury operations will conform to the *Non-Investment Products Code* issued by the Bank of England and the *Treasury Management in the Public Services – A Code of Practice and Cross-Sectoral Guidance Notes* issued by CIPFA..

- Procedures for evidencing the council's powers / authorities to counterparties

The council will provide evidence of the council's power if requested to do so by a counterparty.

- Required information from counterparties concerning their power / authorities

The council will seek information on a counterparty only where that counterparty is new to the council and only to the extent not covered by its credit rating or information provided by a council money broker.

- Statement on the council's political risks and management of same

The council is governed by statute and investors in the council are protected against any failure to meet loan or other debt obligations by such statutes. The council has approved an ethical investment statement, which is included in the Annual Investment Strategy.

Fraud, error & corruption & contingency management

- Details of systems and procedures to be followed, including Internet services

Details of the treasury management systems and procedures to be followed, including access to information regarding the councils' bank accounts, are contained in the treasury management manual held within Strategic Finance. Access to the information for treasury management purposes via the council's electronic link to the Co-operative Bank is limited to a set number of persons within Strategic Finance.

Access to the council's accounts is also provided to the Banking Team within Finance & Resources but this is limited to day-to-day banking activity and not treasury management.

- Emergency and contingency planning arrangements

Details of the emergency and contingency planning arrangement for the access of bank account information and CHAPS payment transactions are contained in the treasury management manual held within Strategic Finance.

- Insurance cover details

Treasury management activity is covered under the Professional Indemnity insurance up to the value of £10 million. Insurance cover is arranged, corporately, by Strategic Finance.

Market value of investments

- Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CD's, etc)

Details are set out in the Annual Investment Strategy.

Schedule 2 – Best value & performance measurement

- Methodology to be applied for evaluating the impact of treasury management decisions

There will be on-going reviews of the debt portfolio to ensure that the long-term objectives of the portfolio are maintained.

- Policy concerning methods for testing best value in treasury management

The council will review the performance of the treasury management function against the following long-term objectives:

- to increase Member and Officer understanding of the complex treasury management service so that a greater contribution can be made to policy formulation
- to manage the financial exposure to risk arising from fluctuations in interest rates and potential changes in Government policy
- to investigate options for improving performance and generating short and long term revenue savings
- to develop meaningful performance measures for borrowing and investment which can be reviewed and reported on a regular basis

- Methods to be employed for measuring the performance of the council's treasury management activities

The council will measure the performance of its' treasury management activities by reference to:

- the long-term objectives of the service;
- benchmark rates for short-term borrowing and investments;
- the trend in the average cost of long-term borrowing.

- Benchmarks and calculation methodology – debt management and investments

One of the objectives for treasury management is to reduce, over the medium term, the average cost of the long-term debt portfolio. In the absence of any generally accepted market practice the benchmarking for borrowing will be assessed against this objective.

Investments are benchmarked against the 7-day LIBID rate. This rate is used as it traditionally represents an achievable return on short-term investments without active treasury management. The target rate – the margin above the benchmark – is as follows:

- for the in-house team: 105% of the benchmark rate (i.e. if the benchmark rate is 4% then the target rate is 4% times 1.05 which is 4.2%).
- for the external cash manager: 115% of the benchmark rate. The higher margin reflects the long-term nature of the cash manager mandate and the potential higher returns from the specialist markets available to the manager.

- Banking services

The Banking & VAT Team undertakes banking. The separation of the function from Strategic Finance is an essential element in the council's overall internal controls and security for treasury management activity. This team is responsible for maintaining detailed records of all cash transactions of the council and for reconciling cash to the council's accounting system. The team is also responsible for the selection of a financial institution that can provide a banking service to the council.

Schedule 3 – Decision-making & analysis

- Funding, borrowing, lending and new instruments / techniques – records to be kept, processes to be pursued and issues to be addressed

Details of the records, processes, etc are contained in the treasury management manual held within Strategic Finance.

Schedule 4 – Approved instruments, methods & techniques

- Listings and individual limits for the use of approved investments, approved methods and approved techniques

The council shall use any instrument available under Chapter 1, Part 1 of the Local Government Act 2003 (and any relevant regulations, guidance and codes), including credit arrangements and operating leases, to raise finance.

Where practical the council will only transact with organisations that are registered with the Financial Services Authority, but in all other respects the council adopts an unlimited market for borrowing purposes. Under the Financial Services and Markets Act 2000 (Exemption) Order 2001 (SI 2001/1201) made under the Financial Services and Markets Act 2000 the council is exempt from the general prohibition in relation to accepting deposits.

The council or its agents may use any instrument authorised under guidance issued by the Secretary of State to make investments. No other instrument may be used without the prior approval of the Director of Finance & Resources.

For the purposes of investments the council's in-house treasury team will use only cash deposits, including money market funds and, subject to certain conditions (see Annual Investment Strategy), negotiable instruments and the Debt Management Account Deposit Facility.

Schedule 5 – Organisations, clarity & segregation of responsibilities & dealing arrangements

- Limits to responsibilities / discretion at committee / executive levels

Full Council only has the statutory power to determine and revise the prudential indicators as required by the Prudential Code.

The council delegates responsibility for the implementation and monitoring of its treasury management policies, practices and the Annual Investment Strategy to Cabinet. The execution and administration of all treasury management decisions is further delegated to the Director of Finance & Resources and more specifically to the Strategic Finance team, who will act in accordance with the council's treasury management policy statement, TMPs and Annual Investment Strategy (Part 8.2 of the Constitution).

Financial Regulations also set out the respective duties of the Head of Paid Service (Chief Executive), Monitoring Officer (Director of Strategy & Governance) and the Chief Finance Officer (Director of Finance & Resources). In respect of treasury management:

- the Monitoring Officer has a duty to report on any proposal, decision or omission that has given rise to or is likely to or would give rise to a contravention of the relevant legislation, including the codes of practice issued by CIPFA and the investment guidance issued by the Secretary of State;
- the Head of Paid Service has a duty to ensure that the number and grades of staff required to carry out treasury management is sufficient to discharge the function

Item 64: Appendix 3

- the Chief Finance Officer has a responsibility for the financial affairs of the council, including assurance that adequate and effective treasury management procedures are in place (including compliance with the relevant codes of practice issued by CIPFA and investment guidance issued by the Secretary of State) at all times.

In accordance with the code of practice on treasury management monies held by locally managed schools will be aggregated with council monies for treasury management purposes. The model scheme for the delegation (to school governing bodies) of financial powers requires a governing body to seek the approval of the Director of Finance & Resources to any proposal to borrow money and the banking arrangements of the school.

- Principles and practices concerning segregation of duties

The treasury management team within Strategic Finance is responsible for the treasury management operation in totality. Long-term funding is undertaken on the expressed instruction of the Loans & Technical Manager; short-term funding and investment are undertaken after discussion with the Loans & Technical Manager.

Segregation of duties is achieved by the independent verification of transactions by the Banking Team.

- Treasury management organisation chart

A chart is detailed in Supplement 3 to these Schedules.

- State of duties / responsibilities of each treasury post

Details are contained in the treasury management manual held within Strategic Finance.

- Absence cover arrangements

Details are contained in the treasury management manual held within Strategic Finance.

- Dealing limits

Details of dealing limits are contained in the treasury management manual held within Strategic Finance.

Levels of outstanding borrowing will be monitored against the operational boundary (prudential indicator (D2)) and the authorised limit (prudential indicator (D1)).

- List of approved brokers / Policy on brokers services

Details of approved brokers are contained in the treasury management manual held within Strategic Finance. The discretion to appoint brokers rests with the Loans & Technical Manager. The number of brokers at any one time is kept to a minimum, subject to achieving sufficient access to the money markets and competition.

- Policy on taping of conversation

It is strongly recommended by the Bank of England (BoE) and the Financial Services Authority (FSA) for brokers and dealers to record telephone conversations with principals (such as the council). The council does not operate a specific policy on taping but is able to rely on the brokers and institutions with which it transacts.

- Direct dealing practices

Details of these direct dealing practices are contained in the treasury management manual held within Strategic Finance.

Item 64: Appendix 3

- Settlement transmission procedures / document requirements
Details are contained in the treasury management manual held within Strategic Finance.
- Arrangements concerning the management of third party funds
Third party funds are managed in accordance with the Treasury Management Policy Statement, subject to any special conditions.

Schedule 6 – Reporting requirements & management information arrangements

- Content and frequency of committee reporting requirements
The Director of Finance & Resources will prepare (a) an annual treasury management policy statement, (b) a mid-year report on the activity of treasury management in the first 6 months of the year and (c) an annual review of treasury activity. These reports will exclude banking services, which are subject to separate arrangements. Reports will be made to Cabinet.
The annual treasury management policy statement will include the treasury management prudential indicators agreed by full Council as part of the council tax setting process.
- Content and frequency of management information reports
A monthly bulletin will be produced which summarises the key indicators and events affecting borrowing and investment activity. The bulletin will include a section on the monitoring of the treasury management prudential indicators. The bulletin will be circulated to:
 - members on the Audit Committee;
 - other key members of the council, including the Cabinet Member - Finance; and
 - senior managers within the council and Finance & Resources.

Schedule 7 – Budgeting, accounting & audit arrangements

- Statutory / regulatory requirements
The council will conform to the relevant statutory and legislative requirements in the preparation of budgets, accounting and audit arrangements. Details of these requirements are held in Financial Services within Finance & Resources.
- Accounting practices and standards
The council will bring together, for budgeting and management control purposes, all of the costs and revenues associated with its treasury management activities (with the exception of banking services). The costs and revenues associated with banking are recorded separately.
- Sample budgets / accounts
Details of the budgets relating to treasury management activities are held within Strategic Finance.
- List of information requirements of external auditors
The information provided as part of the external audit of the council is subject to review on an annual basis between Finance & Resources and the Audit Commission. Financial Services hold the list of information for the audit of the council's Accounts.

Schedule 8 – Cash & cash flow management

- Arrangements for preparing / submitting cash flow statements

Item 64: Appendix 3

One of the criteria for judgement used by the Audit Commission in assessing how well the council plans and manages its' finances is that the council undertakes cash-flow monitoring which is used to inform short- and long-term investment decisions.

Cash flow statements are prepared by Strategic Finance prior to the financial year in question. The statements are retained by Strategic Finance to assist in providing liquidity of funds over the period.

The statements are prepared for the financial year, with the cash flows analysed on a week by week basis. The cash flow statement informs the Loans & Technical Manager in advance of key periods of cash flow shortages or surpluses. This in turn enables a planned approach to investing short-term funds. Details of the actual movement in cash flows are reported in the monthly treasury management bulletin.

- Content and frequency of cash flow budgets

The cash flow statements contain the major receipts and payments of the council for the relevant period. Statements are revised weekly, including an analysis of any significant variations from projections.

- Listing of sources of information

Details of the sources of information are held in Strategic Finance.

- Bank statements procedures

Details of the procedures are held by the Banking Team.

- Payment scheduling and agreed terms of trade with creditors

Council Standing Orders and Financial Regulations require each service director to be responsible for the payment of creditors for his or her own department. The terms and conditions for such payments are negotiated and held within the relevant service directorate but the council is committed to paying suppliers invoices within 30 days of receipt.

- Arrangements for monitoring debtor / creditor levels

Systems are in place to ensure payment is received from council debtors within the prescribed time periods. Regular reports on income collection and recovery are made to the Cabinet Member – Finance. Systems are also in place to ensure creditors are paid within the contractual payment terms and are subject to a best value prudential indicator.

A review of data held on the council's accounting system is on-going to assess whether more accurate information on debtor / creditor levels can be obtained with the view to improving cash flow forecasting.

Schedules of creditor payments (both BACS and cheque runs) are received by Strategic Finance each week for inclusion within the cash flow forecasts for that week.

- Procedures for banking of funds

Details are set out in the council's Standing Orders and Financial Regulations.

- Practice concerning prepayments to obtain benefits

Each instance will be reviewed on an ad-hoc basis to ensure the most cost efficient and effective approach is adopted.

Schedule 9 – Money laundering

- Procedures for establishing identity / authenticity of lenders

Where practical the council will only transact with organisations that are registered with the Financial Services Authority.

The treasury team will immediately advise the council's Money Laundering Reporting Officer should an incidence of money laundering be suspected.

- Methodology for identifying sources of deposit

Membership of the Financial Services Authority places, amongst other things, a duty on the member to set up and operate arrangements, including the appointment of a money laundering officer, to prevent money laundering. The council will rely on membership of the Financial Services Authority to satisfy itself of the integrity of its counterparties to treasury management transactions.

The council has adopted an anti fraud & corruption strategy as part of the council's constitution. The strategy strengthens the council's existing measures on anti-fraud & corruption and meets the broader implications of money laundering introduced through various statutes such as the Terrorism Act 2000, the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007.

The council's Audit & Business Risk Section within Finance & Resources has actioned an implementation plan that included an assessment of the council's exposure to the risk associated with money laundering. Awareness training has also been provided to key members of staff. Systems and controls will be kept under review and further awareness training will be provided as appropriate. Fuller details of the systems and controls can be obtained from the Audit & Business Risk Section.

The council has appointed a Money Laundering Reporting Officer as required under the Money Laundering Regulations 2003. The named officer is the council's Head of Audit & Business Risk.

Schedule 10 – Training & qualifications

External training courses for the treasury management team will be considered for value and benefit. Records of individual training will be kept in accordance with the procedures introduced by the council for such purposes. Career development and succession arrangements will also be in accordance with council policy on such arrangement.

Details of the qualifications for treasury staff are set out in the job descriptions and person specifications appertaining to each post. Secondments (if any) will be recorded in accordance with council policy on such instances.

Member training on treasury management is seen as an important tool in the scrutiny of the service. A course entitled "An introduction to treasury management", which gives an overview of treasury management, is available. The course explains what treasury management is, the aims & objectives of the service and an understanding of the key risks. It also covers how the council manages investment risk.

A presentation on the 2010/11 treasury management policy statement and 2010/11 annual investment strategy will help Members to understand more fully the decision they make in approving these two key strategies.

Schedule 11 – Use of external service providers

- Details of contracts with service providers, including bankers, brokers, consultants, advisers

The council uses an external cash manager to administer part of its investment portfolio. The manager is able to use specialist markets with the aim to achieve

Item 64: Appendix 3

higher investment returns. The current manager, Scottish Widows Investment Partnership, was appointed in March 2006 following a competitive selection process.

The council uses Butlers as its treasury advisors. The advisors are expected to be proactive in analysing information to assist the in-house treasury team to meet its targets on the cost of long term borrowing and investment returns as well as advise on developments in the treasury management field.

- Procedures and frequency for tendering services

The procedure and frequency for tendering of services will conform to the provisions of the relevant council Standing Orders and Financial Regulations.

Schedule 12 – Corporate governance

- Treasury management procedures

The council has formally adopted the code of practice on treasury management issued by CIPFA. This demonstrates that the organisation of the council's treasury function is open and transparent. Clear treasury policies and procedures have been developed to support the stewardship responsibilities of the Director of Finance & Resources.

- List of documents to be made available for public inspection

Various documents will be made available for public inspection, subject to confidentiality constraints.

- Procedures for consultation with stakeholders

Consultation with stakeholders will conform to the council policy on such consultation.

Prudential indicators approved by full Council 25th February 2010

Prudential indicator (E1) – Adoption of CIPFA Code

The CIPFA code of practice on treasury management is included within Part 8.2 (Financial Regulations) of the Council's new Constitution.

Prudential indicator (E2) – Upper limits on interest rate exposure 2010/11 to 2012/13

	2010/11	2011/12	2012/13
Upper limit on fixed interest rate exposure	115%	115%	117%
Upper limit on variable interest rate exposure	46%	46%	47%

The percentages in Indicator E2 are calculated on the net outstanding principal sums (i.e. net of investments). The upper limit of 115-117% is a consequence of the council maintaining an investment portfolio. Indicator E2a exemplifies the indicator over borrowing and investment.

Prudential indicator (E2a) (supplemental) – Upper limits on interest rate exposure 2010/11 to 2012/13

	2010/11	2011/12	2012/13
Upper limit on borrowing – fixed rate exposure	100%	100%	100%
Upper limit on borrowing – variable rate exposure	40%	40%	40%
Upper limit on investments – fixed rate exposure	100%	100%	100%
Upper limit on investments – variable rate exposure	100%	100%	100%

Prudential indicator (E4) – Principle sums invested for periods longer than 364 days

	2010/11	2011/12	2012/13
Limit	£25m	£25m	£25m

Prudential indicator (E3) – Upper and lower limits on the maturity structure of borrowing 2010/11

	Upper limit	Lower limit
under 12 months	40%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	50%

Prudential indicators (D1) “Authorised limit” and (D2) “Operational boundary 2010/11 to 2012/13

	2010/11 Estimate		2011/12 Estimate		2012/13 Estimate	
<u>Authorised limit</u>						
- Borrowing	£262m		£277m		£272m	
- Other Item liabilities	£40m	£302m	£40m	£317m	£40m	£312m
<u>Operational boundary</u>						
- Borrowing	£238m		£253m		£247m	
- Other Item liabilities	£40m	£278m	£40m	£293m	£40m	£287m

Interest rate prospects (source: Butlers January 2010)

Short-term rates are expected to remain on hold for a considerable time. The recovery in the economy has commenced but it will remain insipid and there is a danger that early reversal of monetary ease, such as rate cuts and Quantitative Easing (QE), could trigger a dip back to negative growth and a W-shaped GDP path. Credit extension to the corporate and personal sectors has improved modestly but banks remain nervous about the viability of counterparties. This is likely to remain a drag upon activity prospects, as will the lacklustre growth of broad money supply.

The main drag upon the economy is expected to be weak consumers' expenditure growth. The combination of the desire to reduce the level of personal debt and job uncertainty is likely to weigh heavily upon spending. This will be amplified by the prospective increases in taxation already scheduled for 2010 – VAT and National Insurance. Without a rebound in this key element of UK GDP growth, any recovery in the economy is set to be weak and protracted.

The MPC will continue to promote easy credit conditions via quantitative monetary measures. QE has been extended to a total of £200bn and there is still an outside chance that it could be expanded further in February. Whether this has much impact in the near term remains a moot point given the personal sector's reluctance to take on more debt and add to its already unhealthy balance sheet.

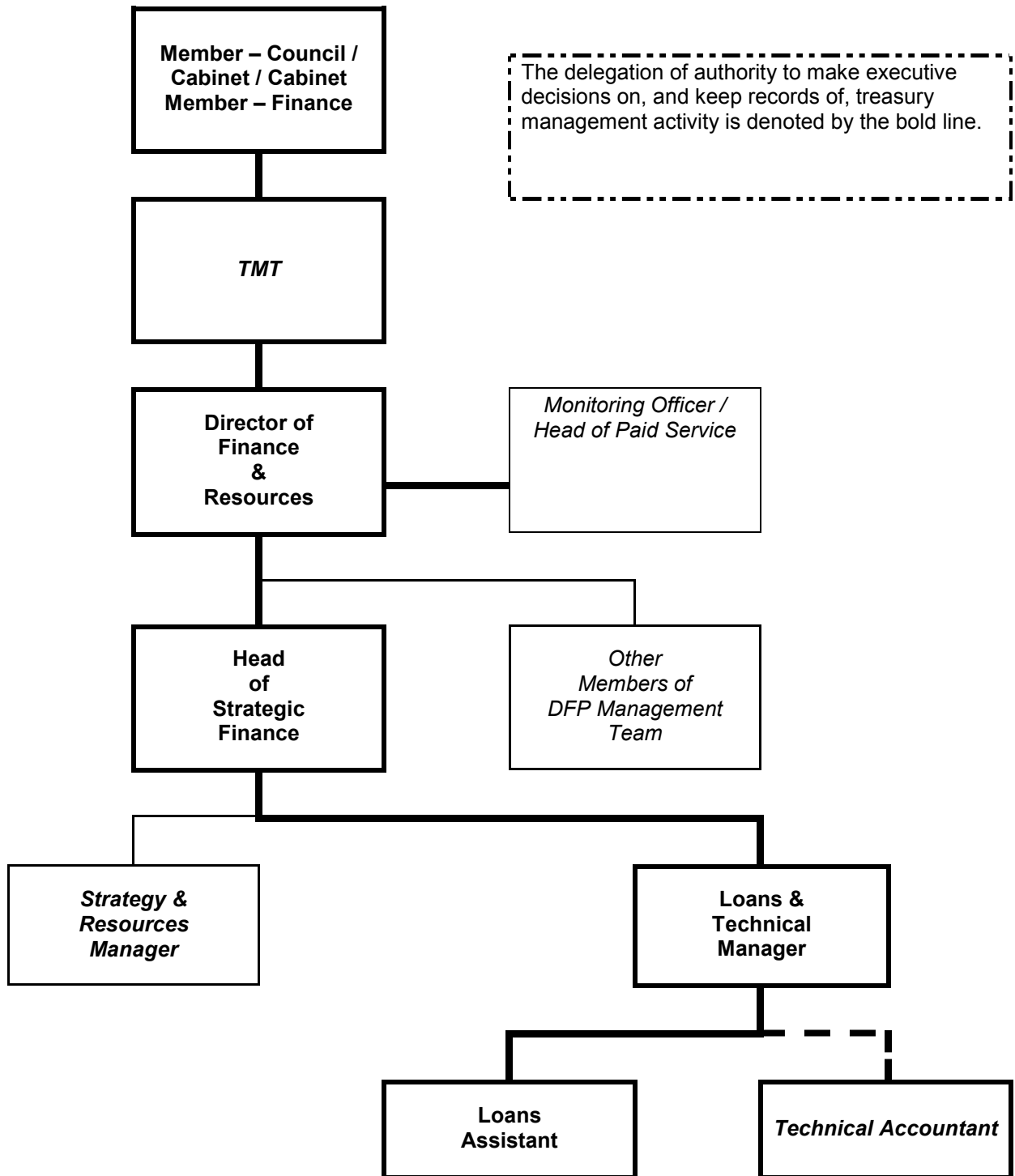
With inflation set to remain subdued in the next few years (though a sharp blip is forecast for the next few months), the pressure upon the MPC to hike rates will remain moderate. But some increase will be seen as necessary in 2010 to counter the effects of external cost pressures (as commodity price strength filters through) and to avoid damage that sterling could endure if the UK is seen to defy an international move to commence policy exit strategies.

The outlook for long-term fixed interest rates is a lot less favourable. While the UK's fiscal burden should ease in the future, this will be a lengthy process and deficits over the next two to three financial years will require a very heavy programme of gilt issuance. The market will no longer be able to rely upon Quantitative Easing to alleviate this enormous burden. The programme might well end in February, especially if the economy has returned to a recovery path as seems very likely. With growth back on the agenda and inflation challenging the upper limit of the Government's target range, the majority of MPC members may feel enough assistance has been given to ensure lack of credit is no longer a fundamental threat to the welfare of the economy

The absence of the Bank of England as the largest buyer of gilts will shift the balance between supply and demand in the gilt-edged market. Other investors will almost certainly require some incentive to continue buying government paper. This incentive will take the form of higher interest rates. The longer fixed interest rates will suffer from the lack of support from the major savings institutions – pension funds and insurance companies who will continue to favour other investment instruments as a source of value and performance. The shorter fixed interest rates will be pressured higher by the impact of rising money market rates. While bank purchases in this part of the market will continue to feature as these institutions meet regulatory obligations, this process will be insufficiently strong to resist the upward trend in yields.

Brighton & Hove City Council

Treasury Management Organisational Chart



Subject: *Annual Investment Strategy 2010/11*

Date of Meeting: **30 March 2010 – Audit Committee**

18 March 2010 – Council

11 March 2010 – Cabinet

Report of: *Director of Finance & Resources*

Contact Officer: Name: Peter Sargent Tel: 29-1241

E-mail: peter.sargent@brighton-hove.gov.uk

Key Decision: Yes Forward Plan No: CAB12911

Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

1.1 The Local Government Act 2003 introduced a prudential capital finance system whereby levels of borrowing and investments are decided locally by each council.

1.2 Guidance issued under the Act requires a local authority to approve an annual investment strategy which gives priority to security and liquidity and requires the council to set out:

- its policy on determining the credit-worthiness of its investment counterparties and the frequency at which such determinations are monitored;
- its policy on holding investment instruments other than deposits held in financial institutions or government bodies;
- its policy on determining the maximum periods for which funds may be invested;
- its policy on the minimum level of investments to be held at any one time.

1.3 The purpose of this report is to seek Cabinet approval to the Annual Investment Strategy 2010/11 and to recommend the Strategy to full Council for adoption at its meeting on 18 March 2010.

2. RECOMMENDATIONS:

2.1 That Cabinet endorses the Annual Investment Strategy 2010/11 and recommends its approval to Council.

2.2 That Council approves the Annual Investment Strategy 2010/11.

2.3 That **Audit** Committee notes the report.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Strategy 2010/11

- 3.1 The Annual Investment Strategy (AIS) for 2010/11 is set out in Appendix 1 to this report and covers investments made by the in-house treasury team and the council's external cash manager. The council uses a cash manager to take advantage of investment opportunities in specialist markets not covered by the in-house team, such as government stock. The AIS gives priority to security and liquidity.
- 3.2 Security is achieved by:
- selecting only those institutions that meet stringent credit rating criteria or, in the case of non-rated UK building societies, have a substantial asset base; and
 - having limits on the amount invested with any one institution.
- 3.3 For the purpose of determining credit ratings the council uses independent credit rating agencies. Rating criteria is only one factor taken into account in determining investment counterparties. Other factors, such as articles in the financial press, will continue to be monitored and action will be taken where it is felt the risk attached to a particular counterparty has or is likely to worsen. Action will include the suspension of a counterparty in appropriate circumstances.
- 3.4 Liquidity is achieved by limiting the maximum period for investment.

Revisions to Strategy in 2010/11

- 3.5 The AIS 2010/11 continues with the policy of assessing the creditworthiness of an institution by applying the lowest rating issued by the three main rating agencies – Fitch, Moody's and Standard & Poor's. In the majority of cases the ratings issued by the three agencies are aligned but this is not always the case.
- 3.6 Three changes have been incorporated within the AIS 2010/11 that are aimed at enhancing security of investments. These changes will be kept under review and are considered not to be detrimental in terms of investment performance. The changes involve:
- the removal of all non-UK banks and building societies from the approved lending list,
 - a reduction in the maximum period of investment for institutions with a short-term rating of "F1" or "P-1" or "A-1" from 12 months to 6 months, and
 - an increase in the minimum asset base for building societies that are not rated, from £3bn to £5bn. This is to reflect the current problems being experienced in this sector.
- 3.7 To compensate for the reduction in investment opportunities resulting from the changes in 3.6 above the maximum percentage of investment in money

market funds and local authorities have both been increased from 75% to 100%.

4. REVISED GUIDANCE FROM SECRETARY OF STATE:

4.1 The Government is reviewing the investment guidance which was published in 2004. The review has been primarily undertaken in response to the findings of the Communities and Local Government Select Committee on council investments.

4.2 The CLG Select Committee agreed that the present guidance based framework was sound but recommended some fine-tuning. The revised guidance reiterates:

- investment priorities are security and liquidity, with yield only a consideration where these two objectives have been met,
- investment strategies should be approved by full Council,
- investment strategies should be published,
- the assessment of security should not be solely based on credit ratings but should include other market intelligence,
- investment strategies should comment on the use of external consultants and
- investment strategies should comment on the investment of money borrowed in advance of need.

4.3 The requirements of the first four bullet points in 4.2 above have been included in previous years' investment strategies and are replicated in the 2010/11 AIS. The final two bullet points are new and have been incorporated in the 2010/11 AIS

5. CONSULTATION:

5.1 The council's external treasury advisor has been consulted.

6. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

6.1 The financial implications arising from the recommendations in this report are included in the Financing Costs budget.

Finance Officer consulted: Peter Sargent

Date: 17/02/10

Legal Implications:

6.2 The council must have regard to the guidance issued by the Secretary of State in determining its policies for investment. The Director of Finance & Resources is satisfied that the recommendations in this report are consistent with the guidance issued.

6.3 There are no direct human rights implications arising from this report.

Lawyer consulted: Abraham Ghebre-Ghiorghis

Date 18/02/10

Equalities Implications:

6.4 None directly arising from this report.

Sustainability Implications:

6.5 The council's ethical investment statement requests that institutions apply council deposits in a socially responsible manner.

Crime & Disorder Implications:

6.6 None directly arising from this report

Risk & Opportunity Management Implications:

6.7 The investment guidance issued under the 2003 Act requires the council to assess credit worthiness by reference to an independent rating agency. The AIS 2010/11 will use the ratings assigned by Fitch, Moody's and Standard & Poor's.

6.8 The ratings provide an opinion on the relative ability of an institution to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. The council uses credit ratings as an indication of the likelihood of receiving its' money back in accordance with the terms of the investment. Other sources of information are used to supplement that provided by the rating agencies.

6.9 The minimum ratings set out in the AIS have the following meaning:

	<u>Generic criteria</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
Short-term	Strong capacity for timely payment of financial commitments Where the credit risk is particularly strong, a "+" is added to the assigned rating	F1	P-1	A-1
Long-term	Very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.	AA-	Aa3	AA-

6.10 Investment risk is managed by selecting only institutions that meet the council's stringent credit rating criteria. Liquidity risk is managed by applying maximum investment periods to institutions.

Corporate / Citywide Implications:

6.11 Investment income is a resource used by the council to fund revenue expenditure. The recommendations in this report will help to minimise capital risk whilst optimising investment returns over both the short and longer term.

7. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 7.1 This report sets out the council's annual investment strategy for the year commencing 1 April 2010. The AIS continues with the strong emphasis on risk management and liquidity, two cornerstones to the draft guidance issued by the Secretary of State and the impact these have on investment performance.

8. REASONS FOR REPORT RECOMMENDATIONS:

- 8.1 Guidance issued under the Local Government Act 2003 requires the council to approve an annual investment strategy. This report fulfils that requirement.

SUPPORTING DOCUMENTATION

Appendix:

1. Annual Investment Strategy 2010/11.

Documents in Members' Rooms:

None.

Background Documents

1. Guidance issued by the secretary of State under Section 15(1)(a) of the Local Government Act 2003 to be effective from 1st April 2010 – currently in draft form and subject to consultation.
2. The Prudential Code for Capital Finance in Local Authorities published by CIPFA – fully revised second edition 2009.

BRIGHTON & HOVE CITY
COUNCIL

ANNUAL INVESTMENT
STRATEGY
2010/2011

The Annual Investment Strategy 2010/2011 is subject to approval by Cabinet on 11 March 2010 and full Council on 18 March 2010

Brighton & Hove City Council
Annual Investment Strategy 2010/2011

This Strategy complies with guidance to be issued by the Secretary of State on investments.

The following sets out the council's policy on investment criteria and counterparties. It should be noted that the minimum criteria set out in this document is only one factor taken into account for the investment of council funds. Other factors, such as Government guarantees and support and information available from the financial press and similar publications will also be taken into account when determining investment decisions. Counterparties that satisfy the minimum criteria are not automatically included on the council's approved investment list.

1 Criteria to be used for creating / managing approved counterparty lists / limits

Each counterparty included on the council's approved lending list must meet the criteria set out below. Without the prior approval of the council, no investment will be made in an instrument that falls outside the list below.

1.1 Capital security

Table 1 sets out the minimum capital security requirements for an investment to be made.

<u>Table 1 – Minimum capital security requirements</u>	
Banks/building societies with a credit rating	the institution must have a minimum short term rating of highest credit quality
Building societies that do not satisfy the minimum rating criteria above	the society must have an asset base in excess of £5 billion
Money market funds	the rating of the fund meets the minimum requirement of triple A ('AAA' / Aaa)
Debt Management Account Deposit Facility	the deposit is made in accordance with the rules and regulations relating to such investment as issued by the Debt Management Office from time to time

1.2 Maximum permitted investment by sector

Table 2 sets out the maximum permitted investment for each sector.

<u>Table 2 – Maximum permitted investment by sector</u>	
<u>Sector</u>	<u>%age of total investment portfolio at the time the investment made</u>
Banking sector	100%
Building society sector	75%
Local authority sector	100%

Money market funds	100%
Debt Management Account Deposit Facility	50%
Maximum amount invested for more than 1 year	25% (excl funds administered by external cash manager)

1.3 **Maximum permitted investment by counterparty**

1.3.1 **General**

With the exception of money market funds and the Debt Management Account Deposit Facility no one counterparty may have more than 75% of the relevant sector total at the time the investment is made.

1.3.2 **Rated counterparties**

Table 3 sets out the exposure limits and maximum periods for deposits based on various credit ratings.

<u>Table 3 – Exposure limits and maximum periods per counterparty (with rating)</u>				
<u>Rating</u>	<u>A rating of at least (lowest of Fitch (F) / Moody's (M) / Standard & Poor's (SP))</u>			
Short-term	F = F1+ M = P-1 SP = A-1+	F = F1+ M = P-1 SP = A-1+	F = F1+ M = P-1 SP = A-1+	F = F1 M = P-1 SP = A-1
Long-term	F = AA+ M = Aa1 SP = AA+	F = AA- M = Aa3 SP = AA-	n/a	n/a
Exposure Limit	£10m	£10m	£10m	£5m
Maximum period – fixed deposits	3 years	2 years	1 year	6 months
Maximum period – negotiable instruments	5 years	5 years	1 year	1 year

In addition investment in money market funds and open ended investment companies with a rating of 'triple A' (i.e. AAA / Aaa) is permitted up to a value of £10 million per fund.

The only exception to Table 3 is investment in the council's banker, the Co-operative Bank plc. The maximum period and exposure limit for investment in this bank will be one month and £10 million respectively.

1.3.3 **Non-rated counterparties**

Table 4 sets out the exposure limits and maximum periods for deposits for counterparties that are not rated.

<u>Table 4 – Exposure limits and maximum periods per counterparty / fund (with no rating)</u>

Item 64a: Appendix 1

<u>Counterparty</u>	<u>Exposure Limit</u>	<u>Maximum period</u>
Local authority	£5 million	1 year
Non-rated building society with an asset base in excess of £5bn	£5 million	6 months
Debt Management Account Deposit Facility	£10 million	6 months

1.3.4 Cash manager

For the purposes of investments made by the council's external cash manager, the criteria in Table 5 will apply:

<u>Table 5 – Exposure limits and maximum periods per counterparty (Cash manager)</u>		
<u>Instrument</u>	<u>Exposure Limit</u>	<u>Maximum period</u>
Government stock	100% of Fund	10 years
Supra-national with minimum long-term rating of 'AA-' / Aa3 / AA-	100% of Fund	10 years
Regulation collective investment schemes	100% of Fund	n/a
Fixed term investments – minimum short-term rating of 'F1 / P-1 / A-1'	10% of Fund or £2.5m whichever is the greater	1 year
Fixed term investments – minimum long-term rating of 'AA- / Aa3 / AA-'	10% of Fund or £2.5m whichever is the greater	5 years

In addition to Table 5 the maximum average duration of the fund managed by the cash manager shall not exceed 4 years. All instruments used by the cash manager with a maturity of 3 months or more shall be negotiable.

1.4 Investment classification (regulatory)

The investment guidance issued by the Secretary of State requires the council to identify investments as either 'specified' or 'non-specified'. Table 6 sets out the requirements for each type.

<u>Table 6 – Investment classification</u>		
<u>Requirement</u>	<u>Specified</u>	<u>Non-specified</u>
Currency	Must be in Sterling	Any currency
Maturity period	Up to 12 months	Over 12 months
Credit worth	Counterparty with high credit rating or UK government or local authority	Other

All investments made by the council are denominated in Sterling and are made only in counterparties as set out in paragraph 1.3 above.

The maximum amount invested in non-specified investments will be 50% of the total value of investments. The use of non-specified investments is limited to:

- (a) investment in non-rated building societies with an asset base in excess of £5bn, or
- (b) investment for longer than 12 months in counterparties that meet the minimum long-term rating detailed in Tables 3 and 5 above.

2 Approved methodology for changing limits and adding / removing counterparties

A counterparty shall be removed from the council's list where a change in their credit rating results in a failure to meet the criteria set out above.

A new counterparty may only be added to the list with the written prior approval of the Director of Finance & Resources and only where the counterparty meets the minimum criteria set out above.

A counterparty's exposure limit will be reviewed (and changed where necessary) following notification of a change in that counterparty's credit rating or a view expressed by the credit rating agency warrants a change.

A counterparty's exposure limit will also be reviewed where information contained in the financial press or other similar publications indicates a possible worsening in credit worth of a counterparty. The review may lead to the suspension of a counterparty where it is considered appropriate to do so by the Director of Finance & Resources.

3 Full individual listings of counterparties and counterparty limits

For 2010/11 investment by the in-house treasury team will be restricted to UK banks and buildings societies only.

A full list of counterparties in which the council will invest surplus funds, together with limits and maximum investment periods is contained in Schedule 1 to this AIS.

There is no pre-determined list for investments made by the cash manager but all counterparties must meet the minimum criteria as set out in Table 5 above.

4 Details of credit rating agencies' services

Credit ratings will be based on those issued periodically by the Fitch Ratings Group, Moody's and Standard & Poor's.

5 Permitted types of investment instrument

All investments must be denominated in Sterling.

The in-house treasury team may invest in fixed term and variable term cash deposits, money market funds and open ended investment companies. The in-house treasury team may only invest in negotiable instruments where to do so offers additional value in terms of investment return and appropriate and supporting advice has been sought from the council's external treasury advisors on the suitability of such an investment.

The cash manager may invest in government stock, supranational institutions, regulation collective investment funds and fixed term instruments. All investments with a maturity of 3 months or more shall be negotiable.

6 Investment risk

6.1 Assessment of credit risk

Whilst the AIS relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for the in-house treasury team to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

6.2 Investment risk matrix

At the meeting in November 2009 Cabinet endorsed the use of a risk matrix developed by Butlers, the council's external advisors, to measure risk. Details of the matrix are set out in Schedule 2 to this Strategy.

The benchmark risk factor for 2010/11 is recommended at 0.05%, the same as 2009/10. This benchmark is a simple target (not limit) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that the in-house treasury team will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported with supporting reasons in the mid year or end of year review.

6.3 Investment advisors

the council appoints treasury advisors through a regular competitive tendering process and has recently re-appointed Butlers to undertake this work. One of the services provided is the provision of updated credit ratings and "watches" issued by the three rating agencies. In addition Butlers are proactive in providing additional market information as set out in paragraph 6.1 above.

6.4 Investment training

The council's advisors, Butlers, have a wide ranging programme of training giving council officers access to seminars and printed material. The council's in-house treasury team is experienced in dealing with investments but where necessary further training and updates will be provided. In November 2008 Cabinet endorsed the need for Members who are involved in the treasury management decision-making process to receive training. A programme of events will be set for 2010/11.

6.5 Investment of money borrowed in advance

The Council has the flexibility to borrow funds in advance of need (i.e. to fund future debt maturities). The Director of Finance & Resources may do this where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints.

Borrowing in advance will be made within the constraints set out in the treasury management strategy. The risks associated with such borrowing activity will be

subject to appraisal in advance and subsequent reporting through the mid-year or end of year reviews.

6.6 Investment liquidity

Liquidity is achieved by limiting the maximum period for investment and by investing to dates where cash flow demands are known or forecast.

7 Ethical investment statement

The council has approved the following ethical investment statement that will apply to all cash investments made by, or on behalf of, the council

“Brighton & Hove City Council, in making investments through its treasury management function, fully supports the ethos of socially responsible investments. We will actively seek to communicate this support to those institutions we invest in as well as those we are considering investing in by:

- *encouraging those institutions to adopt and publicise policies on socially responsible investments;*
- *requesting those institutions to apply council deposits in a socially responsible manner.”*

Counterparties shall be advised of the above statement each and every time a deposit is placed with them.

8 Glossary

Long-term – period in excess of 12 months

Negotiable instrument – an investment where the council can receive back the amount invested earlier than originally agreed (subject to conditions)

Non-specified investment – see Table 6 above

Short-term – period up to and including 12 months

Specified investment – see Table 6 above

Supra-national – an organisation that encompasses more than one nation, such as the World Bank

Brighton & Hove City Council
Banks and Other Institutions
Annual Investment Strategy 2010/2011
In-house Treasury Team

Note - Ratings as advised by Butlers 1st February 2010

<u>Counterparty</u>	<u>Specified/ Non- specified</u> ¹	<u>Short-term</u> F = Fitch M = Moody's SP = Standard & Poor's			<u>Long-term</u> F = Fitch M = Moody's SP = Standard & Poor's			<u>Max amount</u>	<u>Max period – fixed deposit</u> s ²
		F	M	SP	F	M	SP		
<u>UK BANKS</u>									
Barclays	Both (*)	F1+	P-1	A-1+	AA-	Aa3	AA-	£10m	2 years
Clydesdale Bank	Specified	F1+	P-1	A-1	AA-	A1	A+	£5m	6 mths
Co-operative Bank plc	Specified	F2	P-1		A-	A2		£10m	1 mth
HSBC Bank plc	Both (*)	F1+	P-1	A-1+	AA	Aa2	AA	£10m	2 years
Lloyds TSB Bank } Bank of Scotland }	Specified	F1+	P-1	A-1	AA-	Aa3	A+	} £5m	} 6 mths
Royal Bank of Scotland	Specified	F1+	P-1	A-1	AA-	Aa3	A+		
Santander UK plc	Both (*)	F1+	P-1	A-1+	AA-	Aa3	AA	£10m	2 years
<u>UK BUILDING SOCIETIES (**)</u>									
Coventry (3)	Non- Specified	F1	P-2		A	A3		£5m	6 mths
Leeds (5)	Specified	F1	P-1		A	A2		£5m	6 mths
Nationwide (1)	Specified	F1+	P-1	A-1	AA-	Aa3	A+	£5m	6 mths
Principality (7)	Non- Specified	F2	P-2		BBB+	Baa2		£5m	6 mths
Skipton (4)	Non - Specified	F2	P-2		A-	Baa1		£5m	6 mths
West Bromwich (6)	Non- Specified	F3	P-3		BBB-	Baa3		£5m	6 mths
Yorkshire Society (2)	Non- Specified	F2	P-2	A-2	A-	Baa1	A-	£5m	6 mths
<u>OTHER</u>									
Other Local Authorities	Specified							£5m	1 year
Debt Management Acc	Specified							£10m	6 mths
Deposit Facility									

(*) investments repayable within 12 months are classified as 'Specified', investments for a longer period are classified as 'Non-specified'

(**) UK Building Societies ranking based on Total Asset size – Source: BSA factsheet January 2010

¹ see para 1.4 of main report – distinction is a requirement under the investment regulations

² for negotiable instruments maximum period should read '5 years' instead of '2 years' and '3 years'. All other periods remain the same

Security, Liquidity and Yield Benchmarking

Benchmarking and monitoring security, liquidity and yield in the investment portfolio

A development for Member reporting is the consideration and approval of security and liquidity benchmarks. These benchmarks are targets and so may be breached from time to time. Any breach will be reported to Cabinet in either the mid year review or end of year review depending upon when the breach occurred.

Yield

These benchmarks are currently widely used to assess investment performance. Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate
- Investments – External fund managers - returns 115% above 7 day compounded LIBID.

Security & liquidity

Security and liquidity benchmarks are already intrinsic to the approved annual investment strategy through the counterparty selection criteria and a number of the prudential indicators approved as part of the Budget Strategy. However they have not previously been separately and explicitly set out for Member consideration.

Proposed benchmarks for the cash type investments are below and these will form the basis of future reporting in this area. In the other investment categories appropriate benchmarks will be used where available.

- *Liquidity* – This is defined as “having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives” (CIPFA Treasury Management Code of Practice). In respect of this area the Council seeks to maintain:
 - Bank overdraft - £1m
 - Liquid short term deposits and/ or short-term borrowing to fund the cash requirement on a weekly basis.

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – shorter portfolios would generally embody less risk. In this respect the proposed benchmark is to be used:

- WAL benchmark is expected to be no greater than 12 months.
- *Security* – In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody’s and Standard and Poors).

Item 64a: Appendix 1

Whilst this approach embodies security considerations, benchmarking levels of risk is more difficult to determine. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the council's investment strategy. The following table shows average defaults for differing periods of investment grade products for each Fitch long term rating category over the period 1990 to 2007.

Long term rating	1 year	2 years	3 years	4 years	5 years
AAA	0.00%	0.00%	0.00%	0.00%	0.00%
AA	0.00%	0.00%	0.00%	0.03%	0.06%
A	0.03%	0.15%	0.30%	0.44%	0.65%
BBB	0.24%	0.78%	1.48%	2.24%	3.11%

In other words no AAA rated institution defaulted on its loan obligations in the period covered by the table.

The Council's minimum long term rating criteria is currently "AA". In addition the annual investment strategy provides for investment in unrated building societies with an asset base in excess of £5bn, although only for a maximum of 6 months. The combined effect of the investment criteria in terms of default can therefore be considered at or around the 'A' rated long-term rating for 1 year – i.e. 0.03%. The average default factor for the portfolio during the half-year varied in the range 0.02% to 0.05%. The factor as at 31 January 2010 is 0.0%.

Based on the current criteria it is recommended that the default indicator is set at 0.05%.

Subject:	<i>Comprehensive Area Assessment 2009</i>		
Date of Meeting:	30 March 2010 – Audit Committee 14 January 2010 – Cabinet		
Report of:	<i>Director of Strategy & Governance</i>		
Contact Officer:	Name: Barbara Green	Tel: 29-1081	
	E-mail:	barbara.green@brighton-hove.gov.uk	
Key Decision:	No		
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY & BACKGROUND

- 1.1 This is the first year of Comprehensive Area Assessment (CAA) judgements. Attached in Appendices 1 & 2 are the final published versions of the Area and Organisational assessments. These were published on 9 December 2009.

2. RECOMMENDATIONS:

For Cabinet:

- 2.1 That Cabinet notes the findings and judgements contained within the Comprehensive Area & Organisation Assessment reports.
- 2.2 That Cabinet instructs officers to ensure that improvement recommendations from the CAA are reflected in departmental, business and improvement planning over the coming year.

For Audit Committee:

- 2.3 That Audit Committee notes the report.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Area Assessment – summary of findings

- 3.1 Overall the assessment is very positive, highlighting good partnership working delivering outcomes locally, particularly in terms of the night time economy and reducing crime.
- 3.2 The report proposes to award a green flag for partnership working reducing youth disorder and improving the security and quality of life for people in the city

at night time. The green flag reflects innovative practice and positive outcomes locally.

- 3.3 The report also identifies areas in need of improvement, these include:
- Numbers of people on JSA and numbers of children living in poverty.
 - Health inequalities – men die earlier on average than elsewhere in comparable areas.
 - Drug misuse, hospital admissions due to alcohol related problems and suicide rates are highlighted as areas of concern.
 - Improve academic results of young people at age 16.
 - Improve the delivery plan to ensure it reflects activity on how we are strengthening our communities and involving people; sustainable transport and delivering quality services.
- 3.4 The thematic partnerships and PSB will review these areas for improvement and ensure that where necessary the Delivery Plan is strengthened and the focus increased on areas in most need of improvement.
- 3.5 The report also includes a red flag on housing, specifically performance against the decent homes standard for council housing stock. The red flag reflects the Audit Commission’s (advised by the Housing Inspectorate), opinion that our approach on decent represents an ‘unmanaged risk’ and poor performance. Despite robust challenge by the council and its partners, it remains the Commission’s view that achievement of the decent homes standard (DHS) by 2013 remains ‘uncertain’ and that ‘the council and its partners need to do more to ensure contingency plans are on place so that minimum standards are met at the earliest opportunity’.
- 3.6 Decent homes performance continues to be regularly review by TMT and Cabinet to ensure that the rate of improvement continues to deliver.

Organisation Assessment – summary of findings

- 3.7 The Organisation Assessment combines and summarises the Ofsted & Care Quality Commission assessments and provides and an overall judgement for the city council, that we are ‘performing well’. This is broken down into a managing performance and use of resources scores. We have been assessed as ‘performing well’, with the following breakdown:

1 = Performs poorly 2 = performs adequately 3 = performs well 4 =performs excellently

Managing performance	3 out 4
Use of resources	3 out 4
Managing finances	3 out 4
Governing the business	2 out 4
Managing resources	3 out 4
Service assessments	
Children’s services	Performs well
Adult social care services	Performs well

- 3.8 The assessment highlights many areas of good performance including; providing good quality services for older people, the children's homes and fostering agency are highlighted as providing an outstanding service, work to support local business, improvement in numbers of young people not in employment, education or training (NEETs) and high levels of satisfaction with the city as a place to live, with a strong reputation for celebrating diversity.
- 3.9 Managing our resources, finances and performance were all assessed as performing well. Governing the business was assessed as performing adequately, data quality and the level of challenge by scrutiny areas were highlighted as needing improvement.
- 3.10 The report recognises the continuing progress the council has made providing value for money and has clear plans in place for taking this work forward and has set challenging targets for the next few years.

4. CONSULTATION:

- 4.1 The Management Team and Directorate Management Teams have been consulted on the new national indicator set and on introduction of the Comprehensive Area Assessment.

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

The CAA is of significant reputational importance to partners, stakeholders and investors. The findings and judgements maintains the council's reputation as a well-managed organisation that makes good use of its resources, including those invested with and by partnering organisations. The council with partner organisations will review resources and performance in those areas identified as in need of improvement. Performance against the national indicator set will be reflected in the level of LAA Reward grant that is attainable subject to satisfactory progress.

Finance Officer consulted: Anne Silley

Date: 14/12/09

5.2 Legal Implications:

There are no legal implications arising from this report.

Legal Officer consulted: Elizabeth Culbert

Date: 16/12/09

5.3 Equalities Implications:

The proposed new performance management framework aims to incorporate monitoring of progress against equalities and inclusion outcomes in the city.

5.4 Sustainability Implications:

The proposed new performance management framework aims to incorporate monitoring of progress against sustainability outcomes in the city.

5.5 Risk and Opportunity Management Implications:

The management of performance is important and contributes to avoiding the risk that the council's improvement priorities will not be delivered. Progress against performance indicators informs our risk and opportunity management assessments.

5.6 Crime & Disorder Implications:

Reducing crime and disorder is a central theme of the Corporate Plan and the Local Area Agreement and monitoring progress against these outcomes is a key element of the proposed new performance management framework.

5.7 Corporate / Citywide Implications:

Cabinet and The Management Team will continue to have a Performance Focus sessions, this is recognised as good practice and allows for both a quarterly overview of the organisation performance against the LAA and more spotlighted discussions on areas that require additional discussion. These discussions will feed into the service planning timetable and establishment of a new corporate plan in the future. This work will drive local improvement in the future and meet the requirements of the CAA framework.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

6.1 This report provides information on the external assessment of the city's performance against agreed outcomes. No alternative options appropriate.

7. REASONS FOR REPORT RECOMMENDATIONS:

7.1 The report provides information on the Comprehensive Area Assessment.

SUPPORTING DOCUMENTATION

Appendices:

1. Comprehensive Area Assessment report.
2. Comprehensive Organisation Assessment report.

Documents In Members' Rooms

None.

Background Documents

None.

Brighton and Hove

Area Assessment

Dated 9 December 2009



oneplace

for an independent overview
of local public services

Contents

Brighton and Hove at a glance

How is Brighton and Hove doing?

About Brighton and Hove

How well do priorities for Brighton and Hove express community needs and aspirations?


Priorities for Brighton and Hove

- Promoting enterprise and learning
- Reducing crime and improving safety
- Improving health and well being
- Improving housing and affordability
- Strengthening communities and involving people
- Promoting resource efficiency and enhancing the environment
- Promoting sustainable transport
- Providing quality services


Brighton and Hove at a glance

This independent assessment by six inspectorates sets out how well local public services are tackling the major issues in Brighton and Hove. It says how well they are delivering better results for local people and how likely these are to improve in future. If, and only if, our assessment shows that the following special circumstances are met in relation to a major issue, we use flags to highlight our judgements. We use a green flag to highlight where others can learn from outstanding achievements or improvements or an innovation that has very promising prospects of success. We use a red flag to highlight where we have significant concerns about results and future prospects that are not being tackled adequately. This means that local partners need to do something more or different to improve these prospects.

Green flags - exceptional performance or innovation that others can learn from

-  Green flag: Partnership working reducing youth disorder and improving the security and quality of life for people in the city at night time

Red flags - significant concerns, action needed

-  Red flag: Council homes not meeting basic standards

The local area

Brighton and Hove City is located on the south coast of England. About 250 000 people live in the city and the number is increasing. The population is generally young and diverse and many people were born outside England. The city is home to two universities and there is a large student population. People are attracted to the city because of its vibrant and varied culture and its seaside location close to London. Nestled between the coast and the South Downs, it is home to the Brighton Pavilion and it hosts some of the largest festivals in England.

Many people in the city are highly qualified but the local economy is dominated by many low skill jobs. Admissions to hospitals related to alcohol, suicide rates and mental illness are high compared to other areas.

The city council, public services, voluntary organisations and businesses work together to improve the quality of life for local people. They have agreed on priorities they will tackle and have set targets for improvement.

The next section tells you how Brighton and Hove's public services are doing in each of their local priority areas.

How is Brighton and Hove doing?

Promoting enterprise and learning

Partners understand the local economy well. They have worked closely together to help local people and businesses through the recession. For example, they have set up business clinics and offered free training for people who have lost their jobs. Many residents are well educated and student numbers are high with two universities in the city. There is a strong financial and business service sector but many jobs are low skilled. Partners understand this and work hard to solve the mismatch between skills and demand across the city. But there is more to do including improving the school results of young people at age 16.

Reducing crime and improving safety

Partnership working has reduced youth disorder and made the city a safer place at night. There is much that others can learn from and we have included a green flag to share the learning .

Improving health and well being

The health of people in the city is varied. Men die earlier on average than elsewhere and there are more early deaths from cancer. Partners show strong commitment to tackling the variations in health across the city and they target their effort where it can have most impact. But there is much more to do - drug misuse, hospital stays related to alcohol and suicide rates are high. Partners need to set clearer targets for the future to ensure they make a real difference.

Improving housing and affordability

The city has high house prices. Partners work well to provide homes that local people can afford to buy or rent and to reduce homelessness.

But almost half of local council homes fail to meet minimum government standards. This poor performance means that about 6,000 council homes do not have basic quality of facilities such as modern kitchens and bathrooms, proper heating and insulation. This affects significant numbers of people in the city many of whom already suffer disadvantage for example through unemployment and ill health. The Council decided to transfer council homes to a housing association but a tenant ballot in 2007 rejected this option. It has worked hard since then to involve tenants in decisions over the future of the housing stock. However, it is clear the government's target for achieving the decency standard by 2010 will be missed, largely due to lack of progress in finding a workable solution.

Large amounts of money are needed to fund the work required to bring

homes up to an acceptable standard. There has been recent progress with plans but major uncertainties remain. This means that the projected achievement of minimum standards by 2013 is not certain. The Council with its partners needs to do more to ensure contingency plans are in place so that minimum standards are met at the earliest opportunity.

Strengthening communities and involving people

High numbers of residents believe that people from different backgrounds get on well together. This is important in a diverse city with a rich mix of communities. The city has an international reputation for celebrating diversity and this is part of its attraction to residents and visitors. The strong role of arts and festivals contributes to the sense of belonging. For example the city is home to many well-known festivals such as 'Pride'. But the partnership does not receive much information about this priority. It needs to set out its expectations clearly and track success.

Promoting resource efficiency and enhancing the environment

Partners are saving energy in many ways but carbon dioxide emissions are not falling quickly enough to meet local targets. There are many examples of energy saving - such as electric vehicle charging points on the city streets.

Residents think streets are clean. There has been a successful focus on reducing graffiti and litter. The amount of waste collected is not falling as quickly as some other areas. The city has many fine buildings and conservation areas. Local people are being consulted on plans for the future. Partners need to align plans for new homes and jobs with protecting the natural environment.

Promoting sustainable transport

The city needs effective transport to make sure that local people and visitors can move around the city. Local people are using buses more and they are cycling and walking more. The new transport plan needs to clarify the way forward. Partners need to find ways to set clear measures of success against which they can track progress.

Providing quality services

It is not clear what this priority delivers for local people. It is more about how effective organisations are than what partners can do together. Partners need to consider what is gained by having this as a priority.

About Brighton and Hove

A recent survey shows that in Brighton and Hove 86 per cent of people are satisfied with their immediate local area as a place to live. This is higher than the average for similar areas and higher than the national average of 81 per cent.

Brighton and Hove is a diverse and dynamic city that attracts a rich mix of people and communities. It has an international reputation for its culture, arts and festivals. Its seaside location near London makes it attractive to more than eight million visitors a year. Nestled between the coast and the South Downs, it is home to the Brighton Pavilion and it hosts some of the largest festivals in England. These include the Brighton Festival - the largest arts festival in England - and the Pride Festival, the country's largest festival for lesbian, gay, bisexual and transgender people.

It has a growing and varied population of about 250 000. Unlike neighbouring towns - which are home to growing numbers of older residents - the city has a high proportion of people of working age. There are many students. Many people were born outside England and there are many workers from eastern European countries. There are many people who are lesbian, gay, bisexual or transgender (LGBT).

Many areas of the city are prosperous but some parts are among the most deprived ten per cent in the country. The number of people on Job Seekers Allowance is high in some parts of the city and more than 20 per cent of children live in households with no working adults.

Local people are generally less healthy than elsewhere in England. Men and infants are likely to die earlier than in other parts of the region and there are more early deaths from cancer than the England average. More people are admitted to hospital because of alcohol than in other areas and suicide rates and rates of mental illness are high.

There is a mismatch between the skills of local people and the needs of the local economy. Many local people are highly qualified compared to other places but there is a lack of high skilled, well paid jobs. People choose to live in the city because of its many attractions and take jobs that do not fully use their skills or commute to London. This means that many lower skilled jobs are not available for the people who have few skills.

The city is a hub for future growth and 11 400 new homes are to be provided in the next 20 years. House prices are high and there is a shortage of family homes. There is a need for more homes that people can afford to buy or rent and a broader mix of homes. There are good transport links to London and a well-developed public transport network.

The city council, public service providers, voluntary organisations and businesses work together to improve life for local people and they set targets for improvement. Through the 2020 Partnership they have agreed eight priorities that they need to tackle: Promoting enterprise and learning; Reducing crime and improving safety; Improving health and well being; Improving housing and affordability; Strengthening communities and involving people; Promoting resource efficiency and enhancing the environment; Promoting sustainable transport; and Providing quality services.

These priorities are set in a Sustainable Community Strategy called 'Creating the City of Opportunity'.

How well do priorities for Brighton and Hove express community needs and aspirations?

Partners work well together and with local people to understand the needs of the city. There are good examples of partners listening to the views of local people. For example, children and young people - including those whose situations make them vulnerable - are involved in decision making and their views on services help to improve things further.

The key challenges for the city include providing the right types and numbers of homes, adequately protecting the beauty of the natural landscape and ensuring local jobs meet the needs of local people. These challenges are well understood by partners and reflected in the sustainable community strategy called 'Creating a City of Opportunity'. The choice of priorities was made after local people were asked for their views. A comprehensive review of inequalities looking at the variations in disadvantage across the city. This has helped partners to understand local needs including the needs of people who suffer disadvantage through, for example, ill health or poverty. They are using that review to make sure that they target their work where it is likely to have most impact.

Partners are currently reconsidering the choice of local priorities and working hard to ensure that the views of local people, including harder-to-reach communities, are taken into account. They are organising meetings with local groups and arranging public events to ensure these views are heard. This includes talking with specific groups such as lesbian, gay, bisexual and transgender people.

Partners work well together. The city council, public services, voluntary organisations and businesses work together through the 2020 partnership. Relationships are mature and leadership is strong. Its debates are open to the public and each meeting debates a topic of local interest in a way that enables local people to shape decisions. Its website is user friendly and enables local people to know what partners are doing to improve the city.

There are many voluntary organisations in the city. They play a key role in deciding what is important and improving the quality of life for local people. Their role is respected by partners. The local Arts Commission is a partner reflecting the influential role of the arts in delivering local priorities.

Partners have agreed a set of targets through the Local Area Agreement. They have agreed many local targets in addition to those required by central government. Partners are starting to study regular reports on progress. These reports are well laid out and use a colour-coded dashboard to show which targets are on track and which are not. But the picture of performance is not consistent. Some priorities have clear shared plans and targets. Others do not.

For example, the partnership does not receive a clear picture of progress for its priorities for sustainable transport and quality services. This means that some priorities get more attention than others. It also means that partners can't be sure that they are providing value for money or that they are making a real difference to local people through working together to tackle all priorities.

Promoting enterprise and learning

Historically the city's economy has performed strongly seeing significant falls in employment and rises in average earnings. There has however been virtually no change in the employment rate due to the high and increasing numbers of working age residents in the city.

The city has a strong financial and business service sector but many jobs are low skilled and average wages are low. Many residents are highly educated and student numbers are high with two universities in the city. The result is a mismatch between skills and demand across the city's economy. There are not enough higher skilled jobs to match the skills of local people. People commute to London or take lower paid jobs because they find the city an attractive place to work or live.

Partners understand the local economy well. They understand the need to ensure that the city stays attractive to people and businesses and that housing and space for business development meet local needs.

They have agreed as an aim 'to provide a wide range of job opportunities, supporting businesses to grow, encouraging investment, innovation and a healthy, sustainable economy actively promoting learning and training opportunities for all.'

The most pressing issue recently has been understanding and responding to the economic downturn.

The recession has not hit employment as much as feared. But some local targets - to reduce numbers of working age people claiming out of work benefits and gross value added per head of population - are unlikely to be met. Partners are monitoring trends closely. Partners have worked closely together to help local businesses. For example they have set up business clinics and free training for people who have lost their jobs, trained council officers to signpost available advice services, raised awareness of business rate relief for small businesses (targeting more than 1100 local businesses). They have also promoted a 'be local - buy local' campaign to encourage local trade.

Partners understand the risks if unemployment rises further and the knock-on effect for families and communities. They are monitoring trends to pick up any evidence of a second wave of recession.

Providing enough jobs and homes whilst protecting the natural beauty of the landscape is a challenge. The city council is currently consulting on its plans for future development set out in the core strategy. Aligning this with refreshed partnership priorities will be an important step in setting clear local priorities

for partners going forward.


The city's economy goes beyond the city boundaries. There are examples of how partners work well with neighbours but few practical results for local people.

Educational standards need to improve further. Most young children progress well during their early years. At the age of 11 children achieve similar results to elsewhere. Asian children and those of mixed heritage do well at age 11 but achievement by Black children is low by national standards. At 16, fewer young people achieve 5 good GCSEs including English and mathematics when compared to similar area or the country overall and the rate is not improving as quickly as in some other areas. Also, fewer than average young people achieve 2 or more good GCSEs in science subjects. Improving the quality of secondary schools and young people's achievements at age 16 is a key challenge for the city. Results differ across schools and less than half of secondary schools in the area are good or better. Fewer than average secondary schools have a good standard of behaviour. Persistent absence is however reducing well particularly in some targeted schools. Numbers of children permanently excluded from school is low. Achievement by Black young people is improving well at age 16 and outcomes for different minority ethnic groups are as seen elsewhere. There are no significant differences in achievement between children and young people from low income families and others at ages 11 and 16 when compared to similar areas. Gaps in achievement between children and young people from low income families and others are not narrowing however.

Children's homes in the area as well as the local authority fostering agency are outstanding and the adoption agency is good. These services help children and young people whose circumstances make them vulnerable very well. But those in foster care arrangements need to have more stability by not moving so often. Results for children with special needs are about average compared to elsewhere.

Partners help children and young people to develop the skills and knowledge they need to work. Numbers of 17 year olds in education or training is higher than average and improving slightly faster than elsewhere. The city has fewer good or better school sixth forms than other places - although most young people who are studying for A-levels attend one of the two good sixth form colleges which serve the area. Numbers of young people not in education, employment or training is slightly higher than average. More young people however are achieving appropriate skills and qualifications by the age of 19 and the rate is increasing. More young people from low income families than average progress to higher education.

Reducing crime and improving safety

 **Green flag: Partnership working reducing youth disorder and improving the security and quality of life for people in the city at night time**

The city is a safer place at night because partners are reducing disorder through an impressive package of action, which other resort towns could

learn from. Key measures include an award winning approach to helping people safely enjoy pubs and clubs, a strong approach to hate crime, a quick response to youth disorder, and support to the most disruptive families to turn their lives around. Residents are less concerned than they were two years ago about people being drunk or rowdy or using drugs in public places. At 86 per cent, the percentage of people who are satisfied with Brighton & Hove as a place to live is high compared with similar places.

Partners have worked together to make the city centre a safer and more enjoyable place to be at night. The partnership approach to managing the impact of pubs, clubs and restaurants is very effective and won national acclaim in 2008. Night time violence and disorder associated with drunken behaviour has reduced over the past year. The number of assaults in the city fell by 14 per cent compared to 6 per cent in the south east overall. Practical measures include a night time bus service to clear crowds from the city centre and make people feel safer. A red and yellow card system is operated by around 190 licensed premises across the city, and can result in those acting in a disorderly way being excluded from all venues.

Brighton & Hove is a diverse city, and so tackling racist and religiously motivated incidents including hate crime against lesbian, gay, bisexual, and transgender people is a priority. Partners work with local community representatives through casework panels to solve local problems and provide support for those affected. This contributes to the high numbers of local residents in a recent survey who believe people from different backgrounds get on well together and that they treat each other with respect.

Operation Park successfully targets youth disorder. High visibility patrols are backed by close working between the police, the youth offending service and the children's services. Since June 2008 575 young people have been stopped as potentially involved in anti-social behaviour. The parents of all those stopped were contacted and not one of the young people concerned has been taken to court, as help was given to change their behaviour.

A project aimed at reducing the number of anti social behaviour complaints made against particular families in the city where there is a child at risk of offending has been introduced. A project working with families known for anti-social behaviour is having a positive impact not only for the families concerned but in reducing tensions amongst neighbours. Complaints against the families reduced by 79 per cent. This programme looks not only at the individual young person but the family environment.

The successful approach is founded on a history of strong partnership in reducing crime together.

Reducing crime and improving safety

Partners have agreed a priority for the city to be 'a place in which children, young people and adults can feel safe and at ease by reducing crime and fear of crime (especially violent crime and crime in public places), antisocial behaviour, racially motivated and homophobic crime and by tackling drug and alcohol related crime'.

Overall crime in the city is below average for similar places, as is concern

about anti-social behaviour. Crime rates reduced last year. All local targets set by partners are on track except convictions for prolific and priority offenders.

There is well established partnership working that has been built up over time. Community safety teams include staff from key partners including social care, police, probation, third sector, health, youth offending. This ensures a strong local focus and sharing of information across partners. There are many examples of successful partnership initiatives that are having an impact for local people.

Partners engage well with local people - including minority communities. The 'safe in the city' website is user friendly and provides much information for local people. Local action teams bring partners together at the local level to discuss issues raised by residents and traders and find solutions. These teams feed into city wide joint action groups and inform strategic decision making. Local people therefore help find direct solutions to local issues as well as influencing broader decisions about future policy.

Whilst the target for reducing reoffending by the group of offenders identified as of most concern has not been met, partners have worked together closely to understand why this has been the case, as previous results had been good. A revised approach has been put in place including changes to record keeping and more resources directed at the highest risk offenders. Prospects for future improvement appear good.

Operation Reduction tackles class A drug supply through mapping and disrupting organised crime and increasing the availability of treatment services. Young people however report substance misuse to be higher than in similar parts of the country.

The Council and its partners work well to protect children and implement child protection arrangements. The numbers of young people offending, and those re-offending dropped in 2008/09. Re-offending rates are low but more young people than average are sentenced to custody. Too few young offenders are involved in appropriate employment, education or training and the situation is not improving quickly enough.

Road safety has improved. For example the numbers of children and young people killed or seriously injured on the city's roads fell from 17 in 2006 to 13 in 2008.

Improving health and well being

The health of people in the city is varied. Men die earlier on average than elsewhere in England and there are more early deaths from cancer. People who are disadvantaged - for example, by poor housing conditions or poverty - tend to have the poorest health. Men in the most deprived areas of the city tend to die nine years earlier than elsewhere and women five years earlier.

Drug misuse is worse than the average for England. Hospital stays related to alcohol misuse are high and suicide rates are amongst the highest in the country. Child poverty is worse than the south east England average.

However, during the past ten years early death rates, including from heart disease and strokes, have decreased. The number of obese adults and the proportion of people diagnosed with diabetes are lower than elsewhere. Obesity among very young children is lower than average but by the time they leave primary school is the same as elsewhere.

Almost 80 per cent of local people say their health is good or very good, according to a recent survey.

There is more to do to offer high quality health services for all people across the city. The quality of healthcare services is mixed and varies depending on where you live and where you are sent for treatment. The quality of service provided at hospitals varies from excellent to weak.

Improving health and wellbeing is a priority for partners and there is strong commitment and leadership. The city has World Health Organisation status which recognises this commitment. Partners understand that achieving good health is not just about healthcare. People who suffer poor health often suffer other disadvantages. They are often in need of better housing and struggle to get jobs because low skill jobs are taken by people who are more qualified. Before agreeing new major policies partners look at the potential health implications to try to ensure that all their policies work together to contribute to improving the health of local people. For example, they encourage walking and cycling as part of their transport priority.

Partners are working well together to tackle the variations in health across the city. There has been a thorough review of these inequalities. This review has highlighted that some people who live in well-off areas can suffer the same problems as those in poorer areas. Partners are responding by focusing more on the needs of individuals and families rather than targeting the less well off neighbourhoods. For example, family intervention programmes provide support to families that are facing a number of challenges. But partners need to set clearer targets for the future if they want to ensure they are making a difference.

Child poverty is worse than many other places in England. One in three children live in low income households and the target for improvement is not likely to be hit. But partners have clear plans to improve things and are planning to raise the profile of child poverty in the new children and young people plan. This gives confidence that future progress will be made. The number of primary aged children who are obese is about the same as similar areas. Health education and sport are provided in local schools but secondary schools do not do enough to help young people adopt healthy lifestyles.

Too many teenage girls are becoming pregnant. Reducing teenage pregnancies is a local target agreed by partners. Although numbers are falling they are not falling as quickly as elsewhere. The highest rates in the city are in the most disadvantaged areas. Partners have agreed a new strategy to reduce numbers further by, for example, making making birth control advice more widely available and targeting sexual health services at the young people in most need.

The number of people going to hospital for reasons related to alcohol is higher than the national average. Alcohol misuse, including binge drinking, is a growing problem particularly for men. The number of drug-users who inject is

relatively high.

The city has had one of the highest suicide rates in England for many years. A local audit in 2003-05 showed that a majority of people who committed suicide had also been diagnosed with mental illness and most were young white men. Partners understand these issues and work well together to tackle the causes. For example, management of the night time economy to encourage sensible drinking and supporting people who suffer mental illness. But there is more to do and we will track progress to see if plans deliver improvements.

Healthy ageing is a priority for partners. The population is relatively young compared to similar areas of England but older people make big demands on inpatient hospital services. Partners understand this and take a range of steps to keep older people healthy and independent. Social care is assisting people to live independently. Services for carers are comprehensive. Good short term home care support is helping many people to stay at home longer without needing to go to hospital. Choice of who provides care services is increasing including, for example, giving money to those who need care so that they pay for it themselves - known as 'direct payments'.

Improving housing and affordability



Red flag: Council homes not meeting basic standards

Council homes not meeting basic standards

Almost half of local council homes fail to meet minimum government standards. This poor performance means that about 6,000 council homes do not have basic quality of facilities such as modern kitchens and bathrooms, proper heating and insulation. This affects significant numbers of people in the city many of whom already suffer disadvantage for example through unemployment and ill health. Affected homes are not concentrated in one place but are scattered throughout the city's housing stock. The Council decided to transfer council homes to a housing association but a tenant ballot in 2007 rejected this option. It has worked hard since then to involve tenants in decisions over the future of the housing stock. However, it is clear the government's target for achieving the decency standard by 2010 will be missed, largely due to lack of progress in finding a workable solution.

Large amounts of money are needed to fund the work required to bring homes up to an acceptable standard. The Council plans to fund the work in two ways. First, the letting of a maintenance contract which is forecast to bring about significant savings. Second, by obtaining income from leasing up to 499 of its homes to a new organisation specially set up for this purpose. There has been recent progress with these plans but major uncertainties remain. The maintenance contract does not start until April 2010 and it is too early to say if the ambitious forecasts for savings are realistic. Government consent is required to let properties to the new organisation but this consent has not been obtained and fundamental concerns currently remain unresolved. Alternative plans to continue the scheme without Government consent are as yet untested. The current recession also makes private funding

uncertain. If the leasing option fails or the savings from the maintenance contract do not happen as quickly as planned the Council will need to find alternative ways to make up the shortfall in funds. Borrowing options are very uncertain at this time. It is not clear what impact substantial borrowing would have on the Council or delivery of partnership priorities. This means that the projected achievement of minimum standards by 2013 is not certain. The Council with its partners needs to do more to ensure contingency plans are in place so that minimum standards are met at the earliest opportunity.

What's being done in response?

The local partnership - the council, public services, voluntary organisations and businesses - is discussing how best to make the improvements needed. This may involve the partnership doing different or additional work, or seeking help from other councils or public services, or from the public sector's own improvement agency. It may also involve an inspection by one or more of the inspectorates. We'll update this section with more detailed information when this is agreed.

Improving housing and affordability

The aim of partners is for the city to be 'a place with a wide choice of decent housing to meet people's needs for a stable home and their ability to pay'. Most local targets are being met but too many council homes fail to meet minimum government standards, meaning many low income tenants and their families are continuing to live in unsuitable conditions.

Brighton and Hove has high house prices and high housing demand. Many local people cannot afford to buy or rent local houses. The population is growing and the city will need an extra 11,400 homes over the next 20 years. Forty per cent of these will need to be low cost for local people to buy or rent.

The Council with its partners has a good record in providing new housing that people can afford to buy or rent but demand is outstripping supply. They have good information about the condition of council homes and targets to bring empty homes back into use are being exceeded. Partners have been effective in preventing homelessness including for young people and they have made big cuts in the number of people who sleep rough on the city's streets. The Brighton and East Sussex Together Partnership (BEST) has improved housing conditions for vulnerable people who live in privately-owned homes.

Strengthening communities and involving people

Partners have agreed a priority to make the city 'a place where communities are strong, inclusive and have opportunities to influence decision making. A place where individuals are able to take advantage of opportunities to improve their quality of life'.

The proportion of residents who believe people from different backgrounds get on well together is higher than in similar areas elsewhere in England. The city has an international reputation for celebrating diversity and this is part of

its attraction to residents and visitors. A recent survey shows that about 28 per cent of residents think that they can influence decisions affecting their local area. This is not as high as elsewhere and partners are looking to better understand this and how people can be more involved. Most children and young people are helped well to make a positive contribution to their community and take part in decision making processes - although secondary schools and the general further education colleges located in the area are only satisfactory in the way they do this.

Part of what makes the area attractive is its cultural diversity - the variety of people and communities - and the strong role of arts and culture. These attract many visitors and is a key reason why many employers and residents move to the city. The city is the home to many internationally recognised festivals. Brighton Festival is the largest arts festival in England and Pride the country's largest lesbian, gay, bisexual and transgender festival. New events continue to develop. For example, the White Nights event marking the end of British Summer Time in 2008 encouraged people to explore the city at night. It helped to dispel fear of crime and provided alternative entertainment to drinking.

Partners work well together to ensure that this culture continues to thrive. Together they devise arts projects which help meet local priorities. For example, by staging events for older people to encourage healthy living and art projects with tenants to foster pride in local estates and discourage anti-social behaviour.

Individual partners work well together to stage arts projects and festivals. The Brighton & Hove Arts Commission has a big say about the choice of cultural events and how they should be staged. Arts projects are reviewed to see how well they have worked and how they can be improved in the future. But the 2020 partnership does not receive much information about this priority. It should be clearer about what success looks like so that it can monitor whether value for money is being given. It needs to be sure that the arts and festival programme will continue to help meet local priorities by setting out its expectations clearly and tracking success.

Promoting resource efficiency and enhancing the environment

Partners have agreed to aim for the city to be 'a place to live which is clean, attractive, uses energy and natural resources efficiently, reduces pollution, ensures the best use of land, promotes biodiversity, approves well designed developments and has accessible open space and countryside'.

Carbon dioxide emissions are not falling quickly enough to meet local targets agreed by partners. Partners understand the need to speed up progress and are putting in place steps to do more.

But there are many examples of progress in saving energy. For example, there are more than 70 car club parking spaces across the city and electric vehicle charging points are being installed.

Streets are clean according to a majority of local residents in a recent survey. Numbers of abandoned or burnt out cars on the city streets have dropped and the city council has taken focussed action to reduce graffiti and litter. Communal bins across the city are helping make the streets cleaner.

Recycling levels are lower than elsewhere and many local people say they are not satisfied with the refuse collection and recycling service. The amount of waste collected from homes is not falling as quickly as in some other areas.

The city has an attractive natural environment nestled between the sea and the South Downs. It has many fine buildings and conservation areas. The city council is currently consulting local people on plans for future development - known as the core strategy. Providing enough jobs and homes for an increasing number of residents whilst protecting the environment is a key challenge. Partners need to align plans for future development with their priorities for more jobs and homes.

Promoting sustainable transport

The city needs effective transport to make sure that local people and visitors can move around the city. The attraction of the city as a place people want to live, work and visit is damaged if people can't move around easily. Plans to increase numbers of homes and encourage businesses into the city will increase transport needs.

Partners have agreed an aim that the city be 'a place with an integrated sustainable transport system that minimises damage to the environment and promotes walking, cycling and public transport use and contributes to a safer, cleaner, quieter city'. They understand the importance of effective transport for improving the quality of life for local people as well as for encouraging visitors and businesses.

There is much progress. Bus passenger numbers continue to increase. Buses that run all night and changes in the way travel information is given - including talking bus stops for those with poor sight - contribute to high numbers of local people using the services. This has also reduced fear of crime and cut numbers of car journeys. More people are walking and cycling and partners understand how this is improving health and helping the environment by easing traffic congestion.

Plans to develop park-and-ride and integrating various forms of transport at key sites across the city and beyond are being drawn up but they are at an early stage. These are complex decisions and partners will need to work together effectively to ensure they agree on future progress.

The 2020 partnership does not receive much information about how partners are working to improve transport and deliver this priority. Except for two targets in the local area agreement partners do not regularly consider progress. This means that partners cannot be satisfied that there is value for money and that all opportunities to improve transport are taken.

Providing sustainable transport involves complex and expensive long-term decisions. The political administration of the Council has changed since

'Creating a city of opportunity' was adopted. As the transport authority, the council needs to develop its new transport plan and clarify what it intends to do. Partners need to develop the refreshed sustainable community strategy to reflect shared priorities and ensure that there are shared plans for improvement. Partners need to find ways to set clear measures of success against which they can track progress. At the moment this priority is not given sufficient attention by partners.

Providing quality services

A priority for partners is that the city 'be a place where residents, workers and visitors receive high quality customer focussed services'. However, the partnership does not measure how successfully it is doing this. They have not clearly set out what success looks like.

Partners need to consider what is gained by having this as a priority. It currently reads as a priority for individual organisations not partners together.

CAA looks at how well local public services, working together, are meeting the needs of the people they serve. It's a joint assessment made by a group of independent watchdogs about the performance of local public services, and how likely they are to meet local priorities. From 9 December you will find the results of Comprehensive Area Assessment on the Oneplace website - <http://oneplace.direct.gov.uk/>

Alternative formats - If you require a copy of PDF documents in this site in large print, in Braille, on tape, or in a language other than English, please call: 0844 798 7070

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for an independent overview
of local public services

Brighton and Hove City Council

Organisational Assessment

Dated 9 December 2009



for an independent overview
of local public services

Brighton and Hove City Council

Overall, Brighton and Hove City Council performs well

Managing performance	3 out of 4
Use of resources	3 out of 4
Managing finances	3 out of 4
Governing the business	2 out of 4
Managing resources	3 out of 4

Description of scores:

1. An organisation that does not meet minimum requirements, Performs Poorly
2. An organisation that meets only minimum requirements, Performs Adequately
3. An organisation that exceeds minimum requirements, Performs Well
4. An organisation that significantly exceeds minimum requirements, Performs Excellently

Summary

Overall Brighton and Hove City Council performs well. The Council is providing many good services and is effective at tackling issues that are important to local people. These are: improving the job opportunities for people within the city, particularly the long term unemployed, providing good quality services for older people and the most vulnerable and supporting the city's businesses through the credit crunch. People like living in Brighton and Hove and there is a real sense of community. Councillors and staff work well together, and the Council is effective at improving things for the people of Brighton & Hove. The Council is good at managing its money and making savings

Brighton and Hove City Council scores 3 out of 4 for managing performance. It knows that keeping the streets clean, helping vulnerable people live in their own homes for longer, keeping people fitter and healthier and ensuring people are safe are important to local people and it is effective at delivering these things. The Council is working well with the police to reduce crime and anti-social behaviour and with the drug treatment services to get people who abuse drugs into treatment and then keeping them there. The Council is effective at creating new jobs through its local employment programme which is providing job opportunities for the long term unemployed. It gives support to people and local businesses that are struggling with financial problems, during the credit crunch. Nearly 5 out of 10 people are satisfied with the way Council runs things, which is above the average compared to similar authorities.

There are a few things however that the Council could do better. The Council has a high number of households in temporary accommodation, although this is reducing in 2009 and does not recycle as much as similar authorities. Secondary school education is not as good as elsewhere. There are also too

many council homes failing to meet minimum government standards, so many low income tenants and their families are continuing to live in unsuitable conditions.

Ofsted has rated the Council's children's services as performing well. There are a high number of good quality child care providers in the city, with over half of the nurseries providing an outstanding service. Primary schools provide a good level of education and support to its pupils and children at primary schools in Brighton and Hove do better than elsewhere in the country. Overall, the quality of secondary education is not as good as similar areas and one secondary school is not meeting the required educational standards. At 16, children's GCSE results are just below the national average.

Brighton and Hove has got two good six form colleges that ensure that many young people do well both in their GCE AS & A level results. The standards of school sixth forms in the city are however below the national average and need improving. More young people aged 16-18 are going into education, employment or training and young people's skills at 19 are good. Children with special needs, those from low income families, those in care and from ethnic minority backgrounds do as well at school and colleges as other similar areas.

For children and young people whose circumstances make them vulnerable, the children's homes and the fostering agency provide an outstanding service. The special schools and the adoption agency are good and the private fostering arrangements are satisfactory overall. Performance indicators show that the Council's performance in helping children in care stay safe and do well at school is similar to other areas. The Council responds effectively and quickly when children are referred to children services and the speed of assessing a child's needs is better than elsewhere.

The Care Quality Commission has rated the Council's adult social care as performing well. The Council is providing good services for the people who use the services and for the carers. Effective short term home care support is helping many people to stay at home longer and has reduced the number of adults needing longer term care. Services for carers and those who need care are comprehensive and are based on what they want. The choice of who provides care services is increasing and money - known as direct payments - is given to those who need care so that they can pay for it themselves. Carers and people who use services, including those who fund their own care, are supported by a wide range of information and advice, which includes helping people to claim all the benefits that are available to them. The Council has made big improvements in response times for requests for home care support and minor adaptations to people's homes, although the Council's performance is not as good as similar authorities. The Council works well with local business to improve employment opportunities for people with learning disabilities. The Council, together with partners, including the voluntary and independent providers are working well to ensure vulnerable adults are safe.

People like living in Brighton and Hove, feel that they treat each other with respect and feel that people from different backgrounds get on well together. A recent survey shows that 86 per cent of people are satisfied with Brighton & Hove as a place to live. Nearly 9 out of 10 residents say that people from different backgrounds get on well together and 7 out of 10 people feel that they treat each other with consideration and respect, which are much higher

than similar areas. The Council with others has a strong reputation for celebrating the diversity within the city through for example the Brighton festival and Pride the country's largest Lesbian, Gay, Bi-sexual and Transgender festival and there is a real sense of community within the city.

House prices in Brighton are high, but the Council has done well in providing 232 homes that local people can afford to buy or rent last year, which is above its target. It has also reduced the number of empty private properties in the city. The Council is confident that it will meet the government target to build 11, 400 new homes by 2026, which will include homes that local people can afford.

The Council scores 3 out of 4 for Use of Resources. The Council looks carefully at the money it has to spend, and plans activities based on this. The Council manages its money well and spends it on what matters to local people. The Council plans well which enabled it to deal effectively with a substantial equal pay claim. It sets targets to make savings and uses available information to help in making decisions on how well services are run. This is supported by a programme of service reviews that ensures that local people are getting good value for money from its services.

The Council has made sure that Councillors and senior staff are held responsible for the money they control. There are regular Council meetings where Councillors oversee budgets, and make sure that Councillors and staff are behaving properly, for example in awarding contracts or claiming expenses. The Council is making information on its performance easier to find. It is developing well the way decisions are taken, the way risks are managed and how it buys goods and services. The Council is reducing how much it pollutes the environment and is encouraging local people and businesses to do the same.

About Brighton and Hove City Council

About 250 000 people live in the city of Brighton and Hove and the number is increasing. The population is generally young and diverse with many people born outside England and a large student population. People are attracted to the city because of its vibrant and diverse culture and its location by the sea, close to London.

Many people in the city are highly qualified but the local economy is dominated by many low skill jobs. Admissions to hospital related to alcohol, suicide rates and mental illness are high compared to other areas.

None of the political parties is in overall control. The Conservatives as the majority party controlling 25 of the 54 seats lead the Council. The Council has worked with local people and agreed five priorities. These are:

- Protect the environment while growing the economy
- Reducing inequality by increasing opportunity
- Fair enforcement of the law

- Better use of public money
- Open and effective city leadership

Organisational assessment

Protecting the environment while growing the economy

The Council is working with other organisations and local people to improve the city's environment. It has looked at how much it pollutes the city and is working with local people and local businesses to cut this down. It has improved the efficiency of council buildings and has reduced carbon emissions by 4 per cent, which has saved £50,000 from the Council's energy bill. The Council is working at reducing carbon emissions from vehicles by encouraging local businesses to use alternative forms of transport and it provided 10 electric vehicle charging points in 2008/09.

The Council is doing well at helping create more jobs for people in the city. The Council has worked successfully with local businesses to get people with the right skills matched to the right jobs, for example, Wired Sussex is a scheme to match media professionals with the city's digital media businesses. 50 per cent of those who took part have been offered a job. The Council with others is helping the long term unemployed and people in need get a job. The "get back to work" scheme has provided 30 work placements and 5 jobs for people claiming benefits and the local employment scheme has helped 58 local residents from disadvantaged backgrounds get a job. It also is helping local people develop the skills the city needs by employing 19 apprentices to learn the skills and trades wanted by local employers.

Local businesses are being supported through the economic recession. The Council is helping local businesses by paying what it owes them in ten working days rather than the standard thirty days, by providing business advice clinics and by visiting 1,100 small businesses to encourage them to apply for business rate relief. It has also got 170 local businesses signed up to the Be Local, Buy Local campaign,

The Council is helping local people through the credit crunch. People are encouraged to claim all the benefits they are entitled to and the Council knows that it needs to speed up how it deals with benefit claims because delays affect many people who suffer disadvantage. The Council is working with those who may be at risk of losing their homes and it has been successful in reducing the number of people becoming homeless, including young people. There has been a big drop in the number of people sleeping rough on the streets. The numbers in temporary accommodation still remain comparatively high. The Council had 366 households in temporary accommodation in 2008/09, which is way above the number in similar authorities. The Council has however reduced this to 306 households in temporary accommodation by July 2009.

House prices in Brighton are high, but the Council has done well in providing 232 homes that local people can afford to buy or rent last year, which is

above its target. It has also reduced the number of empty private properties in the city. The Council is confident that it will meet the government target to build 11, 400 new homes by 2026 which will include homes that local people can afford.

The Council is doing well at improving private sector housing. Working with others in the Brighton and Hove and East Sussex Together (BEST) partnership the Council got funding of £2.5 million which it has used to improve private housing in the city, particularly for those people who are most in need, The Council helped 748 households to be able to afford to keep their homes warm in the winter during 2008.

Almost half of local council homes fail to meet minimum government standards. The Council decided to transfer council homes to a housing association but a tenant ballot in 2007 rejected this option. It has worked hard since then to involve tenants in decisions over the future of the housing stock. However, it is clear the government's target for achieving the decency standard by 2010 will be missed, largely due to lack of progress in finding a workable solution. Large amounts of money are needed to fund the work required to bring homes up to an acceptable standard. There has been recent progress with plans to improve these home but major uncertainties remain. This means that the projected achievement of minimum standards by 2013 is not certain.

The Council is reducing the amount of rubbish it sends to landfill. The Council has slightly improved the amount it recycles, but its performance is below the national average and there is too much waste going to land-fill sites. The Council recycling rate is 29.5 per cent in 2008/09 compared to 28.39 per cent in 2007/08. A recent survey shows that the resident satisfaction with the refuse collection service, doorstep recycling and the recycling centres is below similar areas. The Council recognises the need for improvement and is therefore steadily improving the waste collection and recycling service. It has rolled out 600 communal bins in the centre of the city, which has resulted in significant improvements in street cleanliness in those areas.

Local people are satisfied with Brighton as a place to live. The Council is working with others to remove litter and grime. For example, problems with abandoned or burnt out cars now stands at 7 per cent from a high of 41 per cent in 2003. 55 per cent of local people are pleased with street cleanliness which is high compared with other places.

Public transport within Brighton and Hove is good. Overall satisfaction with the local bus service is very high. People are satisfied with the service and frequency of the buses, the quality of the information given and the number of bus stops.

Reducing inequality by increasing opportunity

The Council is effective at reducing inequality across the city by improving the opportunities for all its children and young people and helping those adults in most need. The Ofsted rating for children's services in Brighton and Hove is that it performs well. The Council has a good understanding of the needs of local people and it has been successful in encouraging the development of more child care settings across the city. There are a high number of good

quality child care providers in the city. Nurseries are better than elsewhere, with over half of them providing an outstanding service. Childminders provide a satisfactory service overall.

Primary schools provide a good level of education and support to its pupils and children at primary schools in Brighton and Hove do better than elsewhere in the country. Overall, the quality of secondary education is not as good as similar areas and one secondary school is not meeting the required educational standards. At 16, children's GCSE results are just below the national average.

Brighton and Hove has got two good six form colleges that ensure that many young people do well both in their GCE AS & A level results. The overall quality of school sixth forms in the city is not as good as elsewhere however and needs improving. The council with others is effective at encouraging and helping school leavers at 16 to develop the skills they need for future work. More young people aged 16-18 are going into education, employment or training and young people's skills at 19 are good. The number of young people who gain Level 2 or 3 qualifications - equivalent to five good GCSEs and higher level qualifications - is significantly above the national average.

Children with special needs, those from low income families, those in care and from ethnic minority backgrounds do as well at school as other similar areas. Brighton and Hove is also seeing an increase in the number of young people from these backgrounds going into higher education, such as universities.

The children's homes and the council's fostering agency are outstanding and support children and young people whose circumstances make them vulnerable very well. The special schools and the adoption agency provide a good service and the private fostering arrangements are satisfactory overall. Performance indicators show that the Council's performance in helping children in care stay safe and do well at school is similar to other areas. The Council responds effectively and quickly when children are referred to children services and the speed of assessing a child's needs is better than elsewhere.

The Council with its partners is effective at promoting healthy life styles for children in the city. All schools have achieved healthy school status and the number of obese children aged 3-11 is lower than elsewhere. The Council with others has increased the participation rates in leisure and sport by children and young people. 932 young people participated in summer fun activities and 16,216 young people participated in the "take part" event in the summer of 2008.

The Council is providing good services for adults who need support and care. The Council is changing the way it provides services to adults so that they have more choice and are able to live in their own homes for longer. Good short term home care support is helping many people to stay at home longer without needing to go to hospital and is helping to reduce the time people are in hospital. This support has reduced the number of adults needing longer term care in 2008/09. The Council also provides good support to those people leaving hospital so that they are able to adjust more quickly to living independently at home. However, this good work has not yet been reflected in positive resident feedback. A recent survey showed that only a quarter of local people felt that older people received the support they need to live

independently which is less than most other places in the country.

The Council has significantly improved response times for requests for home care support and minor adaptations to people's homes, although the Council's performance is not as good as elsewhere. People are however highly satisfied with the service provided. The Council has improved access to its services for all adults, so that any resident can be given advice and support. By joint working arrangements with the Department of Work and Pensions the Council has also encouraged people to claim all the benefits available to them.

The Council works well with local employers to improve employment opportunities for people with learning disabilities. This has resulted in a high number of people with a learning disability getting a full-time job, when compared to elsewhere. The Council is actively promoting and encouraging healthier and safer lifestyles for people with learning disabilities and mental health needs. For example, half of the walkers on the 'Health walk' scheme have chronic health conditions or are disabled.

The Council is working with others to provide care services that improve the quality of life for adults in need. Services for carers and those who need care are comprehensive and are based on what they want. The choice of who provides care services is increasing and money - known as direct payments - is given to those who need care so that they can pay for it themselves. The Council is also ensuring any service provided by independent care providers meets strict quality standards. The Council however needs to ensure that it routinely reviews the effectiveness of the care support given to adults and that it effectively monitors the take-up of adult care services by people from different backgrounds.

The Council, together with partners, including the voluntary and independent providers are working well to ensure vulnerable adults are safe. People have a good understanding of what to look for and how to prevent adult abuse and this is reflected by the high number of safeguarding referrals. The Council however should ensure that those people who fund their own social care are clear about the council arrangements for keeping vulnerable adults safe.

Fair enforcement of the law

The Council is working well with Sussex Police and helping people within Brighton and Hove to feel safer. Levels of crime and anti-social behaviour are reducing. The Council and Police share information and target activities in crime hotspots that are having a significant impact on crime figures. Operation Reduction is tackling the supply of class A drugs, like heroin and cocaine into the city. The Council and others have been successful in disrupting the supply of drugs to users by the organised crime syndicates and has increased the availability of drug treatment services, which has reduced the number of muggings and petty thefts.

A recent survey has shown that there has been an improvement in the way residents feel about anti-social behaviour, drugs use & rowdy behaviour in the city. Over three quarters of local people believe that anti-social behaviour and drunken behaviour is not a problem in Brighton and Hove. Again, the Council with others has been successful at reducing anti-social behaviour through

effective management of the areas of the city where there is an active night life and through targeted initiatives. For example, Operation Park involving the police, the youth offending service and the children and young people trust has worked well at reducing drunken and rowdy behaviour and petty crime by young people. As part of this initiative, young people caught under-age drinking have been escorted home by police and their parents informed of their actions. In addition, the Families Intervention Project has helped reduce by over three-quarters complaints against families who have a history of anti-social behaviour.

The Council has also been successful in ensuring cafes, restaurants and take-aways are clean, hygienic and provide a good standard of food to customers. It now has 1,371 food outlets in its "Scores on the Doors" scheme and the number of five star premises has increased from 7 per cent to 22 per cent in the last 18 months.

Better use of public money

The Council manages its money well and spends it on what matters to local people. It has scored 3 out of 4 for Use of Resources. The Council looks carefully at the money it has to spend, and plans activities based on this. It was able to deal with a substantial equal pay claim without effecting service delivery or having to raise council tax. It sets targets to make savings and uses information to help in making decisions on how well services are run. This is supported by a programme of service reviews that ensure that local people are getting good value for money from all of its services. The Council has reduced costs in adult social care, out of city placements for children with special needs and in waste and recycling. It has also reduced the cost of agency staff in housing management from £622, 000 in 2007/08 to £322, 000 in 2008/09. People can find clear information about Brighton and Hove's finances on the Council website and in the council magazine.

The Council has made sure that Councillors and senior staff are held responsible for the money they control. There are regular Council meetings where Councillors oversee budgets, and make sure that Councillors and staff are behaving properly, for example in awarding contracts or claiming expenses.

The Council is making information on the Council's performance easier to find. It is developing well the way decisions are taken, the way risks are managed and how it buys goods and services. It is improving the way that council buildings are being used. The Council is reducing how much it pollutes the environment and is encouraging local people and businesses to do the same.

Open and effective city leadership

People living in Brighton and Hove, feel that they treat each other with respect and consideration and feel that people from different backgrounds get on well together. A recent survey shows that 86 per cent of people are satisfied with Brighton & Hove as a place to live. Nearly half of Brighton & Hove residents are satisfied with the way the Council runs things, which is above the national average. Nearly 9 out of 10 residents say that people from different backgrounds get on well together and seven out of ten people feel

that they treat each other with consideration and respect, which are much higher than similar areas. The Council with others is effective at celebrating diversity through for example the Brighton festival and Pride - the country's largest Lesbian, Gay, Bi-sexual and Transgender festival. The Council understands the needs of different people and communities, it is rated the top local government employer in the Stonewall workplace equality index and is working to implement a new national equality standard by March 2010.

The Council works well in partnership with others. There are close links with the 2020 Community Partnership where local public services including the police and the health service come together to deliver shared local aims for the city. The Council communicates well with local people about its priorities and tackles issues that are important to local people. For example, the setting up of art projects with council tenants to foster pride in their local estate and to discourage anti-social behaviour. The Council listens to what local people say and makes changes to its services for example; the enforcement of the zig-zag lines around schools has reduced accidents and the Council has improved pavement access, following consultation with parents and disabled people.

Those responsible for running the Council are providing good leadership. Councillors and managers generally work well together to provide good quality services to local people. The ambitions for the area are clearly set out each year after asking local people what they think the Council should focus on. The leader of the council and the acting chief executive both understand the importance of working with the local community and both have high profiles in the community. The Council has recently appointed a new chief executive. It has achieved Investors in People a nationally recognised standard designed to help organisations improve their business by having effective plans for its staff.

CAA looks at how well local public services, working together, are meeting the needs of the people they serve. It's a joint assessment made by a group of independent watchdogs about the performance of local public services, and how likely they are to meet local priorities. From 9 December you will find the results of Comprehensive Area Assessment on the Oneplace website - <http://oneplace.direct.gov.uk/>

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for an independent overview
of local public services

Audit Progress Report

March 2010

Brighton and Hove City Council

Audit 2009/10

Date

Contents

Introduction	3
The Audit Commission	7
Appendix 1 – 2009/10 Audit Risk Areas	8

Status of our reports

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

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

Introduction

- 1 Our responsibilities are governed by the Audit Commission Code of Audit Practice for Local Government bodies. It determines the nature, level and scope of the work carried out by appointed auditors and underpins all our activities. A revised 2010 code is currently before parliament. When this is available it will be presented to the Audit Committee to provide information and guidance to members of the committee.
- 2 Under the Code we are required to audit the financial statements and to give our opinion on:
 - whether they give a true and fair view of the financial position of the Council and of its income and expenditure for the year in question; and
 - whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.
- 3 We are also required to review whether the Annual Governance Statement (AGS) has been presented in accordance with relevant requirements (the Local Government framework developed by CIPFA in conjunction with the Society of Local Authority Chief Executives (SOLACE): the CIPFA/SOLACE framework).
- 4 The Code also requires us to issue a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of resources. The Audit Commission has developed criteria for auditors to apply in reaching the value for money conclusion which are closely aligned to the Use of Resources framework.
- 5 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as the Council's external auditor.

2009/10 Audit

- 6 A letter setting out the audit fee for 2009/10 was sent to the Council's Chief Executive in April 2009 and was submitted to this committee in May 2009. The letter set out the main risk areas and the work which was proposed to mitigate each one.
- 7 A more detailed report setting out the arrangements relating to the audit of the financial statements will be submitted to the June meeting of this committee. The timing of this report has been scheduled so that results of work on testing internal financial controls can be included. We are liaising with the Council's Internal Audit department over the testing and are planning to rely on work carried out by them where possible to maximise efficiency.
- 8 See Appendix 1 for an update on the risks included in the fee letter and the work being undertaken.

Use of Resources Assessment

- 9 This is the second year of the new Use of Resources assessment. Work is underway. Indicative scores will be submitted to our electronic data collection system on 21 April 2010.
- 10 Evidence for the assessment, in particular if the council believes improved scores can be supported, should be provided by 31 March in order to be evaluated before the submission date.
- 11 Local moderation of scores will then take place before final scores are confirmed; these will be officially published after the end of July.

Data Quality

- 12 As part of the Use of Resources assessment we review the Council's arrangements for producing relevant and reliable data and information to support decision making and manage performance. We undertake spot checks on a number of performance indicators, particularly where the information is used to judge the delivery of strategic objectives.
- 13 We will review the management arrangements and system used to collect and process data in accordance with the performance indicator definition. We will also test check the derivation of the data and the calculation of the figure reported.
- 14 For 2009/10 we will review the following indicators:
 - NI 179 - Value for Money (The total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year)
 - NI 158 - Decent Council Homes (The number of non decent council homes and the proportion this represents of the total council housing stock.)
 - NI 130 - Social Care Clients receiving Self Directed Support (The number of adults, older people and carers receiving self-directed support in the year to 31st March as a percentage of clients receiving community based services and carers receiving carer's specific services aged 18 or over.)
 - BV 72 and BV 73 - Housing repairs performance (The percentage of urgent local repairs completed within the prescribed time limit and the average time taken to complete non urgent responsive repairs).
- 15 Work is underway and will be completed before the end of March 2010.

Certification of Grant Claims

- 16 The Audit Commission's current arrangements for certifying claims and returns set out a de-minimis level of £100,000 below which no work is required. Between £100,000 and £500,000 auditors undertake limited tests to agree claim entries to underlying records. For claims over £500,000 auditors follow the procedures set out in the Audit Commission's certification instructions for individual claims. The certification instructions are developed in conjunction with the grant paying bodies.

Introduction

- 17 The largest claim audited at Brighton and Hove City Council is the Housing Benefit and Council Tax Benefit. For the 2009/10 claim we have undertaken some early testing which should reduce the amount of work needed later in the year.
- 18 We are required to raise issues arising from our audit of the Council's more significant grant claims to the Audit Committee as the body formally charged with governance. Our annual report on the certification of 2008/09 claims and returns at the Council has been included as a separate item on the agenda. This report summarises the findings from the certification of 2008/09 claims. It includes the key messages arising from our assessment of the Council's arrangements for preparing claims and returns, and information on 2008/09 claims that were amended or qualified as part of our audit.

International Financial Reporting Standards

- 19 In 2010/11 the Council will need to prepare its accounts using International Financial Reporting Standards (IFRS). Accounts for 2009/10 will be prepared and audited using UK GAAP (Generally Accepted Accounting Standards) as specified in the 2009 Statement of Recommended Practice (SoRP). However they will need to be re-stated under IFRS to act as comparative figures in the 2010/11 financial statements.
- 20 There are no regulations governing this transitional period, beyond the need to have the comparative figures to the 2010/11 financial statements prepared and audited with the accounts for the year. However there is an indicative timetable for the adoption of IFRS which recommends that councils should follow a number of steps as laid out in the table below:

Table 1 **Indicative timetable**

Stage	Key milestone	Recommended date
1	Restate 1 April 2009 balance sheet to IFRS	by 31/12/2009
2	Discuss audit 'sign off' of restated balance sheet	by 31/12/2009
3	Restate 2009/2010 accounts to IFRS	by 31/12/2010
4	Discuss audit of restated 2009/2010 accounts	by 31/12/2010
5	Produce 2010/2011 accounts on IFRS basis	by 30/06/2011

- 21 The Council has set up a Project Board to consider its accounting policies and the changes that will be needed under IFRS. There are a number of key areas where a different accounting treatment will be required. Officers have produced a number of proposal papers and we have had some discussions to ensure the approach is in line with our understanding.
- 22 Officers have not yet reached the stage of a full re-statement of the opening balance sheet. This is not out of line with other authorities. The Audit Commission published a

briefing paper "Countdown to IFRS - Implementation in Local Government" in February 2010 which we have included on the agenda of this meeting for your information. The paper includes information on the role of audit committees in the process.

Comprehensive Area Assessment

- 23 The first Comprehensive Area Assessment (CAA) results were published at the end of 2009 and the website has generated significant interest. The website name is – [Oneplace](#).
- 24 Not only does the website help answer the simple question 'how well am I being served by local public services?', but there are detailed performance indicators which will be routinely updated. The indicators are easily found on the Oneplace website link above.
- 25 The area assessment for the city is published on Oneplace. It is an assessment by six independent inspectorates and tells the public how well local public services are performing in the city and where they could improve. This work is led for the Audit Commission by the CAA Lead, Sandra Prail, and focuses on delivery of the local strategic partnership priorities set out in 'creating a city of opportunities'.
- 26 The organisational assessment for the city council can also be found on Oneplace. This assessment combines the use of resources work described above with an assessment of how well the council delivers services and whether it has the leadership and capacity to continue to improve (known as managing performance). The organisational assessment combines use of resources and managing performance to provide an overall organisational assessment score.
- 27 The timetable for CAA 2010 has now been agreed. Opportunities to update the area assessment on Oneplace will be in late June and December. The organisational assessment will be published in December. The CAA Lead is in dialogue with the local strategic partnership about the follow up areas for the 2010 area assessment.
- 28 We connect our audit work with CAA. We implement COUNT (collect once use numerous times) to prevent duplication. Audit colleagues work closely with the CAA Lead to ensure evidence from the work set out in this report is taken into account where appropriate in the organisational and area assessments.

The Audit Commission

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Appendix 1 – 2009/10 Audit Risk Areas

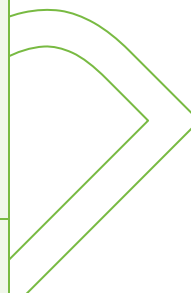
Risk Area Identified	Planned Work	Progress to date	Outcome
<p>The Council is to let a long- term contract for capital works and the repairs and maintenance of its housing stock in early 2009/10. Significant savings are expected through this approach. In order to achieve these, the contract must be soundly based and contract management arrangements effective.</p>	<p>We will review the contract arrangements to establish the reasonableness of the savings proposed, how the savings expected are reflected in the longer- term financial plans for the housing revenue account and the effectiveness of the proposed management of the contracts.</p>	<p>Work is currently underway and is expected to be completed by the end of June. A draft project specification has been produced and a set-up meeting with the Assistant Director for Housing Management has been provisionally arranged for April 6.</p> <p>The fieldwork for the Housing Repairs and Maintenance contract will also be used to inform our Area Assessment work. This work involves an assessment of the prospects for delivering Decent Homes Standards compliance in the condition of housing stock by the Council's target date of 2013.</p> <p>The work will also monitor progress in establishing the housing local delivery vehicle</p>	<p>A report will be submitted to the June 2010 meeting of this committee.</p>

Appendix 1 – 2009/10 Audit Risk Areas

Risk Area Identified	Planned Work	Progress to date (see below).	Outcome
<p>The Council's proposed creation of a housing local delivery vehicle that will manage about 500 of its housing properties as a means of improving their condition is innovative. However, it requires appropriate arrangements to be established to safeguard the Council's assets and to ensure the company achieves the improvements required.</p>	<p>We will review the Council's arrangements at key stages and comment as necessary.</p>	<p>The Council has recently approved the adoption of the general consents route to lease up to 499 empty properties over 5 years to the local delivery vehicle over five years. We will continue to monitor developments and any consequential impacts on our Code responsibilities.</p>	<p>A watching brief will continue to be maintained.</p>
<p>The economic climate has impacted on the finances of local authorities including increased demand for some services; reduction in income from charges (such as car parking) raised and increased level of debtors. This places the Council's financial health at risk.</p>	<p>We will monitor the Council's financial performance to see how well it is managing the impact of the current economic climate and assess the impact of its overall financial health.</p>	<p>The effect of the recession in Brighton & Hove, and the consequential impact on the activities of the Council has been considered along with the experiences of other councils, have been considered for inclusion in an Audit Commission national report. Local work to assess the impact of the recession on the Council's financial performance is currently underway and will be</p>	<p>The findings will be taken into account in the Use of Resources assessment. Indicative scores will be fed back to management in April 2010.</p>

Appendix 1 – 2009/10 Audit Risk Areas

Risk Area Identified	Planned Work	Progress to date	Outcome
<p>The waste management PFI (in partnership with a neighbouring local authority) is a high profile arrangement and the operation of effective management of the contract with the service provider is essential. Failure to operate effective contract management could be costly to the Council.</p>	<p>We will undertake a high level overview of the Council's approach in order to ensure the arrangements in place ensure that the Council achieves value for money. This builds on our work at previous audits.</p>	<p>We have attended meetings with officers from the Council and from East Sussex County Council (the neighbouring local authority) to discuss arrangements. We are also taking advice from PFI technical specialists from our central technical unit.</p>	<p>We will continue to discuss issues with officers. This will include accounting arrangements as the introduction of new standards in 2009/10 will affect the valuation and accounting entries.</p>
<p>Participation in the Building Schools for the Future (BSF) programme is technically demanding and requires effective project management at all stages from the application phase to completion. The Council will invest a significant amount of money in reaching the application phase and there is a risk that application might not be accepted.</p>	<p>We will undertake a high level overview of the Council's approach in order to ensure the arrangements in place ensure the Council achieves value for money.</p>	<p>We have held a meeting with the BSF project officer and we are waiting for further documentation. This includes examples of BSF project and performance management reports and the latest progress update for the Children & Young People Board.</p>	<p>A watching brief will continue to be maintained.</p>



Certification of Claims and Returns - Annual Report

Brighton and Hove City Council

Audit 2008/09

February 2010



Contents

Key messages	3
Background	4
Findings	5
Appendix 1 – Summary of 2008/09 certified claims	7

Status of our reports

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-

Key messages

Funding from government grant-paying departments is an important income stream for the Council. The Council needs to manage claiming this income carefully. It needs to demonstrate to the auditors that it has met the conditions which attach to these grants.

This report summarises the findings from the certification of 2008/09 claims. It includes the messages arising from my assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.

Certification of claims

- 1 Brighton & Hove City Council receives more than £270 million of funding from various grant-paying departments which attach conditions to these grants. The Council must show that it has met these conditions. If the Council cannot evidence this, the funding can be at risk. It is therefore important that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions have been met.
- 2 In 2008/09, we certified nine claims with a total value of £270 million. Of these we amended two claims to correct errors. A further three claims were subject to qualification. Where we qualify a claim we set out the issues arising in a qualification letter to the grant-paying body. Appendix 1 sets out a full summary of the claims certified in the year

Significant findings

- 3 In general the Council has established a good control environment for its grant claims and deals well with the complexities inherent in some schemes. Claims based on significant financial systems, such as National Non-Domestic Rates (NNDR) and Housing and Council Tax Benefit have particularly strong control environments.

Certification fees

- 4 The certification fees charged for grant certification work in 2008/09 were £63,757.

Actions

- 5 We have not made any recommendations as a result of this report.

Background

- 6 The Council claims £270 million for specific activities from grant-paying departments. As this is significant to the Council's income it is important that this process is properly managed. In particular this means:
 - an adequate control environment over each claim and return; and
 - ensuring that the Council can evidence that it has met the conditions attached to each claim.
- 7 We are required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by the government departments and public bodies to Brighton & Hove City Council. We charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.
- 8 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 9 The key features of the current arrangements are as follows.
 - For claims and returns below £100,000 the Commission does not make certification arrangements.
 - For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure.
 - For claims and returns over £500,000, other than the Housing and Council Tax Benefit claim, auditors assess the control environment for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required. This means that the audit fees for certification work are reduced if the control environment is strong. For the Housing and Council Tax Benefit claim we are required by the Department of Work and Pensions (DWP) to undertake a minimum level of detailed testing regardless of our assessment of the general control environment.
 - For claims spanning more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly. The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.

Findings

Control environment

- 10** Our assessment of the control environment for each of the claims or returns certified includes:
- consideration of the expertise and continuity of staff responsible for compiling claims, review of issues arising in previous years;
 - complexity of the scheme and volume of transactions;
 - the quality of associated working papers; and
 - the general arrangements in place for identifying eligible expenditure and operating the schemes in accordance with the detailed guidance applicable to them.
- 11** In most cases we assessed the control environment as medium risk due mainly to changes in staffing or the inherent complexity of the particular scheme. We assessed the NNDR and the Housing and Council Tax Benefit claims as having strong control environments.

Specific claims

Disabled Facilities Grant

- 12** We noted two errors in this claim.
- Our audit work revealed that expenditure with a building contractor amounting to approximately £5,000 was duplicated within the claim. Following discussions with the officers responsible we did not request an amendment to the claim as this error has been adjusted within 2009/10. We did, however issue a qualification letter advising the Department for Communities and Local Government (CLG) of the error and that it had been corrected.
 - We also noted that officers had failed to act on a change in the scheme allowing 100 per cent of expenditure to be reclaimed on grants approved after 1 April 2008. This had led to the claim being understated by approximately £128,000. The necessary amendment was agreed with officers and made to the claim.

Housing Subsidy, Housing Subsidy base data return and Pooling of Capital Receipts

- 13** The working papers provided in support of these claims were of a high quality and queries were resolved quickly including those in respect of the complex issues regarding Housing Revenue Account financing. All three claims were certified and submitted within the deadlines set by CLG and without amendment or qualification.

National Non-Domestic Rates

- 14 We assessed the control environment for this claim as low risk based on audit intelligence from other aspects of our work. This allowed us to certify the claim based on more limited detailed testing. The claim was submitted by the CLG deadline without amendment or qualification.

Housing and Council Tax Benefit

- 15 Our testing identified four cells on the claim containing errors. We agreed extrapolated amendments for these four cells. A number of other cells on the claim required amendment as a consequence of the changes to these four cells. Overall, the claim increased by £62,600 as a result of these amendments.
- 16 We are grateful to officers involved with the housing benefit system for the level of support provided during the audit. The claim was certified and submitted without qualification within the deadline set by DWP.

Sure Start

- 17 This claim was supported by good working papers and was certified and submitted without amendment or qualification and within the deadline set by the Department for Children, Schools and Families.

Teachers' Pensions Return

- 18 This is a significant and complex return and the information for some cells is difficult to acquire from the current HR Payroll system. Our audit queries in respect of the claim took a considerable time to resolve due to pressures on officers from the implementation of the new HR Payroll system which is due to be in place from 1 April 2010. However, the return was certified and submitted within the deadline set by Teachers' Pensions with only minor amendments arising from the audit. A qualification letter was also issued advising of an error to be corrected in 2009/10.

New Deal for Communities

- 19 This claim was submitted to us for audit six weeks after the 30 September deadline set by CLG. This meant we were unable to complete the audit and submit the certified claim by 31 December 2009.
- 20 The projects covered by this claim are in their final year and staffing had been reduced. This led to a marked deterioration in control exercised over the projects and the level and quality of evidence to support the expenditure being claimed. Despite this the claim was certified and submitted without amendment on 11 January 2010. We included a qualification letter to CLG highlighting differences between its guidance to councils and the Certification Instruction agreed with the Audit Commission.

Appendix 1 – Summary of 2008/09 certified claims

Claims and returns above £500,000

Claim	Value £000	Adequate control environment	Amended	Qualification letter
Housing and council tax benefit	152,574,	Yes	Yes	No
Pooling of housing capital receipts	744	Yes	No	No
HOU01 HRA subsidy	2,495	Yes	No	No
EYC02 Sure start, early years and childcare	6,712	Yes	No	No
HOU02 HRA subsidy base data return	N/A	Yes	No	No
HOU21 Disabled facilities	660	Yes	Yes	Yes
LA01 National non-domestic rates return NNDR03	86,158	Yes	No	No
PEN05 Teachers' pensions return	26,110	Yes	No	Yes
RG03 New deal for communities	1,147	Yes	No	Yes

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Our reference HT/BHCC/1011fee1

March 2010

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— Dear John

Annual Audit Fee 2010/11

Following to our meeting with management on March 2, I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at Brighton & Hove City Council. Sandra Prail the Comprehensive Area Assessment (CAA) Lead for Sussex has set out inspection fees in a separate letter. .

The fee is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2010/11.

As I have not yet completed my audit for 2009/10, the audit planning process for 2010/11, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary.

A summary of the indicative fee is shown in the table below.

Audit area	Planned fee 2010/11 £	Planned fee 2009/10 £
Financial statements	284,300	242,275
Use of Resources/VFM Conclusion Including data quality.	102,500	121,950
Whole Government Accounts	2,700	3,670
Total audit fee	389,500	367,895
Certification of claims and returns (estimate)	60,000	60,000

The Audit Commission has published its work programme and scales of fees 2010/11. The planned audit fee for 2010/11 is set 5.8 per cent below the Audit Commission scale fee for the year. This represents a 5.9 per cent increase from the 2009/10 fee.

The increase in fee for the financial statements element of the audit reflects the costs of additional work arising from the introduction of international financial reporting standards in 2010/11. The Audit Commission Chief Executive wrote to all councils in February 2009 to announce measures to rebate part of the cost of the increase. A schedule of rebates is due to be published in June 2010. Changes in international auditing standards will increase the audit procedures I need to carry out. However, the Audit Commission has agreed to absorb the cost of additional requirements within the fee.

In setting the fee, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified in 2009/10. A separate opinion plan for the audit of the financial statements will be issued by June 2011. This will detail the risks identified, planned audit procedures and any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Head of Finance and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

The quoted fee for grant certification work is an estimate only and will be charged at published daily rates.

My use of resources assessments will be based upon the evidence from three themes:

- managing finances;
- governing the business; and
- managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2010/11. My work on use of resources informs my 2010/11 value for money conclusion. However, I have identified a number of risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table below:

Risk	Planned work	Timing of work
The Council has worked in partnership with iMPower local government financial consultants to develop a longer-term, more cross-cutting corporate transformation programme, which will seek to identify more significant efficiency opportunities.	We will conduct a review of the Council's work to implement the measures necessary to secure the savings targets set out by the iMPower review. This work will inform our assessment of use of resources key line of enquiry 1.1. (financial planning to	To be completed by 30 June 2010.

<p>The successful implementation of this programme and identification of efficiencies is key to the Council's future plans in an increasingly challenging financial environment.</p>	<p>deliver strategic priorities and secure sound financial health) and 1.2 (understanding costs and performance and achievement of efficiency).</p>	
<p>We undertook a review of the Council's governance arrangements as part of our 2008/09 programme of work. We found that governance arrangements within the Council were generally sound. We did, however, identify a number of areas for improvement against which the Council believed progress had been made subsequent to the detailed fieldwork being undertaken. The Council has a unique political balance with four political groups having a significant influence on decisions taken. The need to take effective and expedient decisions within this balanced political environment will be key to the Council's effective future function.</p>	<p>We follow up progress made against key recommendations for improvement agreed as part of our 2008/09 Good Governance review. We will also consider the Council's detailed arrangements and processes to ensure they support effective and expedient decision making. This work will inform our assessment of use of resources key line of enquiry 2.3 (promotion and demonstration of the values of good governance).</p>	<p>To be completed by 30 June 2010.</p>
<p>The Council plans to achieve Decent Homes Standard for all of its housing stock by 2013. There are two main mechanisms through which the Council plans to deliver this within available budget:</p> <ul style="list-style-type: none"> • a partnering agreement has been entered in to with an external contractor, Mears, to deliver capital works and repairs and maintenance to the Council's housing 	<p>We will maintain a watching brief on key issues arising from our programmed 2009/10 review of the housing repairs and maintenance and capital works contract. We will also maintain a watching brief as the housing LDV develops.</p>	<p>No specific reporting output. We will monitor developments during 2010/11</p> <p>We will ensure that our evidence feeds the review of the red flag in the city's area assessment.</p>

<p>stock. The partnering agreement is expected to secure significant savings.</p> <ul style="list-style-type: none"> • The creation of a housing Local Delivery Vehicle (LDV) to bring in additional investment to meet strategic housing and corporate priorities, and refurbish and improve council homes. The financial impact of the LDV is less significant. 		
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I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1. The above fee excludes work the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for the 2010/11 are:

Audit Manager – Simon Mathers	0844 798 1776
Co-Team Leader – Jeremy Jacobs	0844 798 6121
Co-Team Leader – Jessica Grange	0844 798 6116
Local Performance Lead – Alex Orme	0844 798 3112

I am committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact the South East Head of Operations, Neil Childs (n-childs@audit-commission.gov.uk).

Yours sincerely

Helen Thompson
District Auditor

cc Catherine Vaughan, Director of Finance & Resources.
Alex Bailey, Director of Strategy & Governance
Councillor Les Hamilton, Chair of the Audit Committee

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee and published

Table 1

Planned output	Indicative date
Opinion Audit plan	by June 2011
Review of corporate transformation and efficiencies	by June 2011
Follow-up review of governance arrangements	by June 2011
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Annual audit letter	November 2011
Organisational assessment (incorporating the managing performance assessment and the use of resources assessment)	TBC

Our reference SP/BHCC/1011fee2

March 2010

John Barradell
 Chief Executive
 Brighton & Hove City Council
 King's House
 Grand Avenue
 Hove
 BN3 6BT

Direct line 07977340401
Email s-prail@audit-commission.gov.uk

— Dear John

Annual inspection fee 2010/11

Further to our meeting with management on March 2, I am writing to confirm the assessment and inspection work that we propose to undertake for the 2010/11 financial year at the Council. The inspection fee:

- is based on the risk-based approach to inspection planning as set out in the Comprehensive Area Assessment (CAA) framework and associated guidance; and
- reflects only the Audit Commission’s inspection work, excluding any audit fees. Helen Thompson, the appointed auditor, will be writing to you separately on fees for audit work.

CAA will deliver a more proportionate and risk based approach to inspection, targeting only high risk services and outcomes for inspection where alternative improvement activity is not appropriate. The inspection plan will be reviewed and updated as necessary. No inspections are currently proposed by the Audit Commission.

The total indicative fee for inspection for 2010/11 is £18,293 and is shown in the table below. The inspection fee has been set in accordance with the Audit Commission’s work programme and scales of fees 2010/11.

Assessment and inspection work plan and fee

Assessment / inspection activity	Planned fee for 2010/11
Area assessment of local partnership	n/a (CLG grant funded)
Managing performance theme of organisational assessment	18,293
Total inspection fee	18,293

Audit Commission, Suite 2, Ground Floor, Bicentennial House, Southern Gate, Chichester, West Sussex, PO19 8SQ
 T 0844 798 1717 F 0844 798 1705 www.audit-commission.gov.uk

If I need to make any significant amendments to the inspection plan and fee during the course of the year, I will first discuss this with you and then confirm in writing outlining the reasons for the change, including the proposed scope for the work.

The above fee excludes any work you requested and the Commission has agreed to undertake using its advice and assistance powers.

If you have any questions regarding this letter, please contact me in the first instance. Alternatively you may wish to contact the South East Head of Operations, Neil Childs (n-childs@audit-commission.gov.uk).

Yours sincerely

Sandra Prail
Comprehensive Area Assessment Lead (Sussex)

cc Catherine Vaughan, Director of Finance and Resources
Alex Bailey, Director of Strategy and Governance
Councillor Les Hamilton, Chair of the Audit Committee

Subject:	<i>Targeted Budget Management (TBM) Month 09 2009/10</i>		
Date of Meeting:	30 March 2010		
Report of:	<i>Director of Finance & Resources</i>		
Contact Officer:	Name:	Patrick Rice	Tel: 29-3104
	E-mail:	patrick.rice@brighton-hove.gov.uk	
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report contains the Targeted Budget Management (TBM) Month 9 report considered by Cabinet on 11 February 2010. The report is included on the Audit Committee agenda for information.

2. RECOMMENDATIONS:

The Audit Committee is recommended to:

- (1) Note the decisions of the Cabinet on 11 February 2010 in respect of TBM Month 9.

3. RELEVANT BACKGROUND INFORMATION:

- 3.1 TBM reports are included in the Audit Committee's work programme and are presented to the committee for information following consideration by the Cabinet. The Audit Committee are invited to consider TBM reports in the context of the committee's Terms of Reference and therefore consider the following aspects:

- i) Any material financial risk implications arising from the latest financial position set out in the TBM report;
- ii) Any material financial risk implications arising from actions or decisions contained in or relating to the TBM report;
- iii) Any material financial risk implications for the council's financial statements arising from the TBM report and related decisions, and;
- iv) Any implications arising from the TBM report, or related actions and decisions, for the council's Risk and Opportunity Management (ROM) strategy.

3.2 The Audit Committee is not required to consider the merits of actions or decisions contained in or relating to TBM reports; this is within the purview of the Overview & Scrutiny Commission.

4. EVALUATION OF ALTERNATIVE OPTIONS:

4.1 The report is for information only.

5. REASONS FOR REPORT RECOMMENDATIONS:

5.1 To ensure that the Audit Committee is fully aware of the current forecast revenue and capital outturn position of the authority and to consider the implications for financial risk and the Risk and Opportunity Management strategy accordingly.

6. FINANCIAL & OTHER IMPLICATIONS:

6.1 Financial Implications:

The report is for information only. There are no direct financial implications. Financial implications in relation to the TBM report itself are contained in Appendix 2.

Finance Officer Consulted: Nigel Manvell

Date: 26/02/10

6.2 Legal Implications:

The role of the Audit Committee in relation to this report is clearly set out in paragraph 3 above. There are no further legal implications arising directly from this report. Legal implications in relation to the TBM 9 report considered by Cabinet are set out in that report.

Lawyer consulted: Oliver Dixon

Date: 26/02/10

6.3 Equalities Implications:

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

6.4 Sustainability Implications:

There are no direct environmental implications arising from this report.

6.5 Crime & Disorder Implications:

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

6.6 Risk and Opportunity Management Implications:

There has been no direct risk assessment for this report.

6.7 Corporate / Citywide Implications:

The Council's financial position impacts on levels of Council Tax and service levels and therefore has citywide implications. The Audit Committee plays an important role in the governance and management of risk relating to the authority's financial position.

SUPPORTING DOCUMENTATION

Appendices:

Appendix 1: Extract from the minutes of the Cabinet 11 February 2010.

Appendix 2: Copy of report to Cabinet 11 February 2010: Targeted Budget Management (TBM) Month 9 2009/10

Documents in Members' Rooms:

None.

Background Documents:

None.

[EXTRACT FROM MINUTES OF THE CABINET]

BRIGHTON & HOVE CITY COUNCIL

CABINET

4.00PM 11 FEBRUARY 2010

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillors Mears (Chairman), Brown, Caulfield, Fallon-Khan, Kemble, K Norman, Simson, Smith, G Theobald and Young

Also in attendance: Councillors Mitchell (Opposition Spokesperson), Randall (Opposition Spokesperson) and Watkins (Opposition Spokesperson)

Other Members present: Councillors Allen, Davey, Davis and Hawkes

174. TARGETED BUDGET MANAGEMENT (TBM) 2009/10 MONTH 9

174.1 The Cabinet considered a report of the Director of Finance & Resources concerning the council's forecast outturn position on the revenue and capital budgets as at the end of December 2009 (month 9) (for copy see minute book).

174.2 In response to questions from Councillor Mitchell the following responses were given:

- Councillor Brown explained that the overspend shown in relation to home-to-school transport was an accrual from the previous year and confirmed that the saving outlined in the main budget proposals was as detailed in the General Fund Revenue Budget report.
- Councillor Kemble advised that Standard Life remained fully committed to the development of the Brighton Centre; the Chief Executive of the council would meet with the Chief Executive of Standard Life in March to discuss progress.
- Councillor Smith added that 30 new conferences had been booked since April 2009 and that local businesses welcomed the ongoing use of the Brighton Centre as a conference venue.

174.3 In response to a query from Councillor Randall, Councillor Caulfield reported that housing staff had been working closely with colleagues in the Children &

Young People's Trust. The council would be looking at different ways to prevent homelessness and had already made good progress.

174.4 RESOLVED –

That, having considered the information and the reasons set out in the report, the Cabinet accepted the following recommendations:

- (1) That the forecast outturn for the General Fund, Section 75 Partnerships and Housing Revenue Account (HRA) for 2009/10 as at month 9 be noted.
- (2) That the budget virement on the Dedicated Schools Grant to support schools Special Educational Needs costs be approved.
- (3) That the forecast outturn position on the capital budgets as at month 9 be noted.
- (4) That the changes to the capital budget be approved.

Subject:	Targeted Budget Management (TBM) Month 9		
Date of Meeting:	11 February 2010		
Report of:	Director of Finance & Resources		
Contact Officer:	Name:	Patrick Rice	Tel: 29-1268
	E-mail:	patrick.rice@brighton-hove.gov.uk	
Key Decision:	Yes	Forward Plan No: CAB13924	
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report sets out the forecast outturn position on the revenue and capital budgets as at the end of December 2009 (month 9). Due to the severity of the adverse weather at the start of January 2010 and the service and financial consequences of this, the forecast has been revised to include the latest available information at the time of publication of this report.

2. RECOMMENDATIONS:

- 2.1 That Cabinet notes the forecast outturn for the General Fund, Section 75 Partnerships and Housing Revenue Account (HRA) for 2009/10 as at month 9.
- 2.2 That Cabinet approves the budget virement on the Dedicated Schools Grant to support schools Special Educational Needs costs set out in Appendix 1.
- 2.3 That Cabinet notes the forecast outturn position on the capital budgets as at month 9.
- 2.4 That Cabinet approves the changes to the capital budget as summarised in Appendix 3 and detailed in Appendices 4 – 7.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The table below shows the forecast outturn position for council controlled budgets within the general fund, including directorates and centrally managed budgets and the outturn on NHS managed S75 Partnership Services.

Item 70: Appendix 2

Forecast Variance Month 6 £'000	Directorate	2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
671	Adult Social Care & Housing	42,988	43,717	729	1.7%
-	S75 Learning Disability Services	23,722	23,801	79	0.3%
2,047	Children & Young People's Trust	54,585	56,533	1,948	3.6%
(96)	Finance & Resources	18,673	18,529	(144)	-0.8%
(12)	Strategy & Governance	13,138	13,182	44	0.3%
143	Environment	38,491	39,523	1,032	2.7%
313	Culture & Enterprise	12,177	12,530	353	2.9%
3,066	Sub Total	203,774	207,815	4,041	2.0%
(2,835)	Centrally Managed Budgets	13,854	9,879	(3,975)	-28.7%
231	Total Council Controlled Budgets	217,628	217,694	66	0.0%
NHS Trust managed S75					
386	Services	13,496	13,989	493	3.7%
617	Total Overall Position	231,124	231,683	559	0.2%

3.2 The Total Council Controlled Budgets line in the above table represents the total current forecast risk to the council's General Fund. This includes all directorate budgets, centrally managed budgets and council-managed Section 75 services.

3.3 The NHS Trust-managed Section 75 Services line represents those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Trust and South Downs Health Trust and include health and social care services for Adult Mental Health, Older People Mental Health, Substance Misuse, AIDS/HIV, Intermediate Care and Community Equipment. The financial risk for these services generally lies with the relevant provider Trust and it is not expected that any of this overspend will cause additional financial pressure for the Council.

3.4 The forecast outturn on the HRA is as follows:

Forecast Variance Month 6 £'000	Housing Revenue Account	2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Variance Month 9 %
221	Expenditure	47,869	48,190	321	0.7%
76	Income	(47,869)	(47,854)	15	0.0%
297	Total	-	336	336	

3.5 The overspend forecast of £0.066 million (excluding S75 Partnerships) is explained in more detail in Appendix 1.

Corporate Critical Budgets

3.6 Targeted Budget Management (TBM) is based on the principles that effective financial monitoring of all budgets is important. However, there are a small number of budgets with the potential to have a material impact on the council's

Item 70: Appendix 2

overall financial position. These are significant budgets where demand or activity is difficult to predict with certainty and where relatively small changes in demand can have significant financial implications for the council's budget strategy. These therefore undergo more frequent, timely and detailed analysis. Set out below is the forecast outturn position on the corporate critical budgets.

- 3.7 As mentioned in the introduction to this report the forecasts incorporate the best available information on the cost implications of the adverse weather at the beginning of January to ensure that members are fully informed of the financial position. This has particularly affected the corporate critical budget for sustainable transport and this is explained in more detail in Appendix 1.

Forecast Variance Month 6 £'000		2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
	Corporate Critical				
990	Child Agency & In House	18,144	19,284	1,140	6.3%
232	Sustainable Transport	(945)	57	1,002	106.0%
(300)	Housing Benefits	159,350	159,050	(300)	-0.2%
(260)	Concessionary Fares	7,345	6,945	(400)	-5.4%
761	Community Care	22,763	23,715	952	4.2%
-	Section 75 Learning Disabilities	20,657	20,736	79	0.4%
1,423	Total Council Controlled	227,314	229,787	2,473	1.1%
386	S75 NHS & Community Care	11,323	11,816	493	4.4%
1,809	Total Corporate Criticals	238,637	241,603	2,966	1.2%

- 3.8 The key activity data for each of the corporate critical budgets is detailed in Appendix 2. Note that the analysis in Appendix 2 will not always match exactly the outturn variances shown in the table above, due to a number of different elements that can affect the outturn. The Appendix is designed to highlight the key underlying activity data that is having the most significant effect on the forecast. Narrative explanations regarding the projections are contained within the individual directorate forecasts contained in Appendix 1.

Capital Budget 2009/10

- 3.9 This part of the report gives Members details of the capital programme budget position for 2009/10. On 26 February 2009, Budget Council considered a capital investment programme report for the financial year 2009/10 and agreed a capital investment programme of £107.265 million. Some of the schemes included in the budget report related to schemes already approved in detail in previous years, while the remainder of the schemes have yet to be approved in detail following their inclusion.

The following table shows the currently approved capital budget.

Capital Investment Programme 2009/10	2009/10
	Budget
	£'000
Slippage brought forward from 2008/09 approved to date	2,578
Budget Reprofiles from 2008/09 approved to date	3,550
Capital Investment Programme schemes approved	72,374
Total Capital Budget 2009/10 as at month 9	78,502

- 3.10 The major part of the original capital investment programme for 2009/10 still to be approved is the Local Delivery Vehicle to improve council housing stock as detailed in the budget report. Cabinet have received regular updates on this funding the latest being on 14 January 2010 (Brighton & Hove Seaside Community Homes Ltd – Funding Options and Consents report), where the funding is now scheduled to take place in 2010/11 and included in the budget report elsewhere on this agenda.
- 3.11 Where schemes are forecast to exceed their budget, budget holders must identify additional resources to finance the shortfall. Forecast overspends of greater than £0.050 million or 10% of the original budget are required to be reported back to Members, either in detailed reports or through this capital monitoring report. Scheme delays or 'slippage' are also monitored in an effort to ensure schemes are delivered not only on budget, but also on time. Where a scheme is forecast to slip by £0.050 million or more, the budget holder will report back to Members, on the amount and the impact of the delay on service delivery.

Capital Forecast Outturn

- 3.12 A number of changes are proposed to the capital programme as follows: new schemes are proposed and summarised in Appendix 4, budget reprofile requests in Appendix 5; variation requests to the capital budgets are contained in Appendix 6 and slippage forecasts of over £50,000 are listed in Appendix 7. A summary of the proposed changes are shown in the table in Appendix 3.

Overspends

- 3.13 There are two overspends over £0.050million, one is within the HRA Capital Programme which is expected to overspend by £0.287 million and will be funded from HRA reserves. The majority of this overspend, £0.209 million is in respect of refurbishment of empty properties where the numbers of empty properties and the unit cost are higher than anticipated. A financial recovery plan has been implemented and is reviewed on a weekly basis by the Housing Management Team.

- 3.14 The other is the major extension and refurbishment scheme at Longhill School which has progressed well from the start. The scheme has overspent the budget due to works being completed ahead of schedule. Despite the recent extreme weather the project has been completed ahead of programme. Latest cash flow forecasts indicate an overspending of this year's budget by approximately £0.440 million. This will be funded by utilising more of the Targeted Capital Fund grant which is allowable under the grant conditions and in 2010/11 has a budget of £6 million.

Budget Reprofileing

- 3.15 Delays have been identified in some projects due to factors outside of our control. Appendix 5 provides details of the reasons and asks Members to agree to the re-profiling of the budget, which in most cases will result in the resources being moved from this year's capital programme to the next. International Financial Reporting Standards (IFRS) come into effect in 2010/11 and these reprofiles take into account the changes required. Additional work will be necessary during 2010/11 on component accounting. Component accounting is where a significant part of an asset has a shorter life (for example the plant in a swimming pool complex). Also there is a much tighter definition of what expenditure can be funded from capital resources under IFRS and work is continuing on defining what is allowable.

Capital Slippage

- 3.16 Capital slippage into next year has been included this month on the schemes identified in Appendix 7. Project managers have forecast that £2.244 million of the capital budget may slip into the next financial year. £0.814 million relates to devolved school budgets – budgets over which schools control the timing of the expenditure. The net slippage on the directly controlled budgets therefore amounts to £1.430 million, or 1.39% of the budget.

Prudential indicator for capital expenditure

- 3.17 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 2009/10, these were set by the council on 26 February 2009. One of these indicators is 'capital expenditure' and in February the council set this at £107.265 million for 2009/10. This indicator helps us to demonstrate that our capital expenditure plans are affordable.
- 3.18 The Capital Investment Programme report demonstrated how the schemes are fully funded and affordable. The revenue effects of this programme were fully considered as part of the revenue budget setting process.

Capital Receipts

- 3.19 Capital receipts are used to support the capital programme. For 2009/10 the programme is fully funded, however, any changes to the level of receipts during the year will impact on future years' capital programmes. Capital receipts (excluding housing) are estimated to be £1.4 million. Currently, £0.7 million has been received which includes the long leasehold disposal of part of the Wellsbourne Centre site and the licence fee in respect of the Community

Item 70: Appendix 2

Stadium. This leaves £0.7 million of receipts to be achieved during the rest of the financial year. Assets are actively being marketed to achieve the level of receipts budgeted for.

- 3.20 The level of sales of council homes through 'right to buy' has been severely affected by the current market conditions in house prices generally and the higher cost and availability of mortgages in the current economic climate. The Government receive 75% of the proceeds of 'right to buy sales'; the remaining 25% is retained by the council and used to fund the capital programme. The estimated useable receipts for 'right to buy' sales is £0.2 million for this financial year and to date £0.1 million has been received. The reduction in receipts will impact on the level of investment in future years for corporate funds such as the Strategic Investment Fund, Asset Management Fund and ICT Fund. If there are no other compensating receipts generated and the current trend for 'right to buy' sales continues the capital strategy will need to be reviewed and the consequences of this will be reported within the Capital Investment Programme report for 2010/11.

Comments by the Director of Finance & Resources

- 3.21 The General Fund Revenue Budget elsewhere on this agenda requires the Chief Finance Officer to consider the robustness of estimates included in the budget. This review has been undertaken based on the financial projections included within this TBM 9 report, ensuring that service pressure funding has been incorporated into the budget, savings or mitigating actions identified to reduce the pressures or risk provisions put in place. The level of overspend reported here has been factored into that Budget report when considering the levels of reserves required.
- 3.22 The adverse weather has had significant impact on the level of overspend particularly in the Sustainable Transport division. This means that the previous decision of Cabinet to fund a contribution to the Building Schools for the Future Reserve is not affordable from current year's revenue budgets. Alternative funding has been identified within the 3 year Capital Programme as set out in the Capital Resources and Capital Investment Programme elsewhere on this agenda.

4. CONSULTATION

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

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: Patrick Rice

Date: 04/01/10

Legal Implications

- 5.2 Part 3.4 of the council's financial regulations requires the Director of Finances & Resources to report to the Executive on the overall revenue and capital budget position on a regular basis, under the Targeted Budget Management framework.
- 5.3 Further, under part 3.1 of these regulations, it is for the Executive to take in-year decisions on resources and priorities in order to deliver the budget within the financial limits set by full Council. Hence Cabinet is authorised to change the capital budgets, as proposed by recommendation 2(4), having regard to the effect this may have on the capital outturn position for 2009/10.

Lawyer Consulted: Oliver Dixon *Date:* 04/01/10

Equalities Implications:

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

Sustainability Implications:

- 5.5 There are no direct sustainability implications arising from this report.

Crime & Disorder Implications:

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

Risk & Opportunity Management Implications:

- 5.7 There are no direct risk or opportunity management implications arising from this report.

Corporate / Citywide Implications:

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

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 The forecast outturn position on council controlled budgets is an overspend of £0.066 million. Any overspend that exceeds risk provisions and contingencies will need to be funded from General Fund reserves, which will then need to be replenished as part of the 2010/11 budget and MTFS proposals.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 Budget monitoring is a key element of good financial management, which is necessary in order for the council to maintain financial stability and operate effectively.
- 7.2 The proposed budget allocations and capital budget changes are necessary to maintain a balanced programme and effective financial management.

SUPPORTING DOCUMENTATION

Appendices:

1. Directorate Revenue Outturn Forecasts
2. Corporate Critical Budgets Activity Data
3. Capital Summary Outturn
4. Proposed new schemes
5. Proposed Capital Budget Re-profile Requests between years
6. Proposed Capital Budget Variations
7. Proposed Capital Slippage

Documents in Members' Rooms

None

Background Documents

None

Adult Social Care & Housing

Forecast Variance Month 6 £'000	Division	2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
127	Housing Strategy	4,721	4,721	0	0.0%
544	Adult Social Care	38,267	38,996	729	1.9%
671	Total	42,987	43,717	729	1.7%

Explanation of Key Variances

The forecast overspend of £0.729 million is after the delivery of a financial recovery plan expected to achieve a further £0.204 million in the last quarter to deal with the significant pressures being experienced, in particular growth in home care and residential care for people with physical disabilities.

The previously identified pressures on temporary accommodation costs within housing strategy have been addressed through reduction in voids and renegotiation of the storage contract.

The forecast overspend on Adult Social Care has increased by £0.184 million since TBM6. The increase is as a result of continued growth in complex cases within physical disabilities and a shortfall in the resident contributions at the Resource Centres.

Strategies and associated management actions are in place to work towards offsetting pressures and reducing the potential overspend. Actions include:

- Ensuring appropriate funding streams are used to meet the costs of complex need cases and Disabled Living Allowance /Independent Living Fund are maximised.
- Robust application of Fair Access to Care Services criteria;
- Maximising benefits and ensuring that attendance allowance and other benefits are used to purchase domiciliary and other 'low level' requirements;
- At review, ensuring that Fair Access to Care Services criteria is applied and care repackaged to ensure new services are fully utilised (e.g. Community Solutions/Telecare etc.);
- Operating a vacancy control system and controls over agency staff costs.

Children & Young People's Trust

Forecast Variance Month 6 £'000	Division	2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(528)	Director	3,872	3,146	(726)	-18.8%
1,639	Area Integrated Working	21,672	23,257	1,585	7.3%
164	Learning , Schools & Skills	(2,968)	(2,830)	138	4.6%
996	Citywide Services	30,059	30,962	903	3.0%
76	Commissioning & Governance	1,950	1,998	48	2.5%
(300)	Vacancy Management	-	-	-	0.0%
2,047	Total	54,585	56,533	1,948	3.6%

Explanation of Key Variances

Director (£0.726 million underspend) - this budget area relates to the staffing budget of the Director, Assistant Directors and admin support teams. This budget area underspend mainly relates to unallocated budget to offset the overall Directorate position, in particular the decision to switch £0.682 million from Dedicated Schools Grant (DSG) funding of Area Based Grant (ABG) areas in view of the size of the directorate overspend, which is explained further below.

Area Integrated Working (£1.585 million overspend). This branch leads on the development of integrated area working, including early intervention and prevention. Area working includes the Youth Service, Children's Centres, Education Psychology Service (EPS), Education Welfare Service (EWS) and frontline social work teams.

Area Social Work Teams are projected to overspend by £0.171million due mainly to agency/sessional staff and transport costs. Legal fees are included within this division and these are currently forecast to overspend by £0.770 million. Legal expenses have increased due to changes in the law by the Public Law Outline (PLO). This is due to several factors, primarily the significant increase in the number of children being referred for care proceedings in line with national trends. The numbers of care proceedings are set to double this financial year compared with last financial year. In addition to this, the Court Fees have been increased by the Ministry of Justice and the cost of the Court issue Fee has increased from £175 to over £4,000 per fully contested case; it looks likely that the spend on court fees alone will be over £0.100 million above the sum allocated by the government for this purpose. This is a significant national issue that local authorities are collectively lobbying government on.

The other main overspend within this branch is £0.465 million on Preventative Payments. This relates to the ongoing costs relating to homeless families, payments to 'friends & relatives' carers and provisions.

Learning, Schools & Skills, this branch has responsibility for school admissions and transport, school funding including Schools Forum and Healthy Schools. The AD also leads on involving schools in the next phase of development of the Children and Young People's Trust. The main area of overspend in this area relates to Home School Transport £0.143 million.

Item 70: Appendix 2 (A)

Citywide Services, this branch is involved in taking the lead on ensuring best outcomes for Children in Care and those with special educational needs, disability and complex health needs. In addition the branch is responsible for the budget for individual placements for children and the Youth Offending Team. More information on the corporate critical overspend can be found in Appendix 2. There has been a significant and sustained increase in activity in terms of referrals to social care (at times up to 61%) following Baby P and the Laming recommendations. This has resulted in a 33% increase in the number of children with a child protection plan and a 25% increase in the number of looked after children from December 2008 to December 2009.

Commissioning & Governance, this branch leads on behalf of the Children and Young People's Trust and Brighton & Hove PCT on the commissioning of services for children, young people and their families. In addition the work of this branch includes currently developing the new Children and Young People's Plan which will drive the next phase of the CYPT.

Vacancy Management - to partly address the overspend, a Vacancy Management target of £0.300 million was previously included in the forecast; the aim was to achieve savings without impacting on social workers and statutory staffing. These savings did not materialise and the target has been removed for TBM 9.

A plan is in place to continue to address the overspend and includes a number of short, medium and longer term actions.

In summary these actions include:

- Realignment of existing prevention provision to target families most at risk
- Review of placements for Looked After Children on an agreed cycle
- Targeted recruitment of in-house foster carers
- Review use of mother and baby placements
- Review of contracted services and application of VFM approach
- Develop proposals for permanency planning
- Review of costs relating to court proceedings/use of experts and ISW's

Dedicated Schools Grant – Virement Request

The Dedicated Schools Grant (DSG) is a ring fenced specific grant that supports the authority's Schools Budget. It is possible to vire unspent Dedicated Schools Grant funding to fund Schools Budget areas that were previously funded by the Area Based Grant. The Schools Forum have agreed this. This has resulted in a saving on the Council budget of £0.682 million.

Part of the Council's SEN strategy is to transfer pupils from expensive out of city placements to our own mainstream or special schools. As a result £0.600 million of the underspend on the Educational Agency placements budget has been transferred to support schools with SEN, Common Assessment Framework (CAF) and therapy costs.

Finance & Resources

Forecast Variance Month 6 £'000	Division	2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(190)	Finance	6,432	6,218	(214)	-3.3%
(229)	ICT	5,654	5,463	(191)	-3.4%
(135)	Customer Services	3,807	3,590	(217)	-5.7%
458	Property & Design	2,780	3,258	478	17.2%
(96)	Total	18,673	18,529	(144)	-0.8%

Explanation of Key Variances

Finance are projecting an underspend due to a reduction in external audit fees resulting from productivity improvements within the Internal Audit service which now undertakes work previously conducted by external audit. Higher than normal levels of staff turnover and associated vacancy management actions are also in place to assist the overall financial position.

ICT are forecasting an underspend due to savings on licence agreements and staff turnover/vacancy management. High priority projects and services to support business continuity (e.g. Helpdesk) are being maintained.

The main pressure in Customer Services relates to an expected shortfall in land charge income of £0.120 million, although this is an improvement of £0.062 million on month 6. The shortfall is due to the downturn in the housing market and the competition from private sector search companies. The corporate critical Housing Benefit budget is expected to generate an additional £0.300 million in subsidy, as local authority errors are predicted to be held below the government threshold and therefore attract additional subsidy.

Property & Design is forecasting a shortfall against commercial rent income of £0.420 million. The main loss is due to rent/lease renewals being on lower terms than expected due to the economic downturn; overall there has also been a slight increase in the number of voids. Income on this budget is particularly sensitive to the current market conditions and is being monitored very closely. Various measures are in place to manage and minimise the existing pressure, such as aggressive marketing, offering small businesses the option to pay rent in monthly instalments rather than quarterly, and negotiating short term lets to minimise voids. Currently there are only 2 voids out of 200 city centre retail units. Proactive procedures have been put in place for temporary lets and property services have a list of potential clients so that they can tailor the possible voids to the right clients/product. Temporary tenants have been put in place already and/or are about to be put in place where leases have been surrendered. Appropriate measures are being implemented for each property on a case-by-case basis. As a result, the shortfall is £0.410 million lower than it would have been without such action.

Strategy & Governance

Forecast Variance Month 6 £'000	Division	2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(12)	Improvement & Organ Devel	1,608	1,578	(30)	-1.9%
35	Legal & Democratic Services	3,157	3,157	-	0.0%
65	Policy Unit	3,400	3,400	-	0.0%
(100)	Human Resources	3,817	3,737	(80)	-2.1%
-	Executive Office	574	614	40	7.0%
-	Communications	582	696	114	19.6%
(12)	Total	13,138	13,182	44	0.3%

Explanation of Key Variances

The directorate forecast a small underspend of £0.012 million at TBM6 with an underspend of £0.100 million within Human Resources covering overspends in other service areas. The position at TBM9 has been revised to an overspend position of £0.044 million. The main changes are within Policy Unit and Communications as follows:

- Policy has improved to break even by active vacancy management and additional anticipated LPSA Stage 2 funding for Bliss and Community Engagement work.
- Communications had been expecting to contain its restructure and other corporate expenditure from within its own resources at TBM6. The revised position is an overspend of £0.114 million at TBM9 due to scaling down the anticipated recovery of funds due from corporate initiatives and by revision of forecast income across Print & Sign and Creative Services. There are proposals to bring this down and the team are actively working on ways to reduce the overspend.

Strategy & Governance are carefully monitoring all budget areas, minimising cost and increasing all available income where possible to reduce the projected overspend.

Environment

Forecast Variance Month 6 £'000	Division	2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
-	City Services	29,552	29,551	(1)	0.0%
(50)	Sport & Leisure	2,151	1,963	(188)	-8.7%
232	Sustainable Transport	(945)	57	1,002	106.0%
(99)	Public Safety	5,365	5,280	(85)	-1.6%
140	City Planning	2,368	2,672	304	12.8%
(80)	Vacancy Management	-	-	-	0.0%
143	Total	38,491	39,523	1,032	2.7%

Explanation of Key Variances

City Services remain on course to break even, efficiencies within the service are expected to cover the additional costs of the service disruption due to the recent adverse weather.

Sport and Leisure are reporting an increased underspend due to additional income and efficiency measures within the service designed to support the overall budget position.

Sustainable Transport is forecasting an overspend of £1.002 million an increase of £0.770 million since the last quarter. The majority of this is due to the loss of parking income resulting from the spells of winter weather in late December and early January, the total loss of income is estimated to be approximately £0.605 million. The weather is also expected to lead to increased maintenance costs on the highways.

Public Safety is forecasting an underspend due to spending controls and contract efficiencies.

In City Planning, both Development Control and Building Control have seen a drop in income from applications, in particular, there has also been a decline in the number of planning applications for large residential schemes due to the current economic conditions, which lead to a shortfall of £0.140 million reported at month 6. The position has worsened in the last quarter due to a continued reduction in Development Control income and additional operational costs.

Culture & Enterprise

Forecast Variance Month 6 £'000	Division	2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
75	Tourism & Venues	1,720	1,910	190	11.0%
-	Libraries & Information Services	4,073	4,073	-	0.0%
239	Royal Pavilion & Museums	2,204	2,433	229	10.4%
(1)	Culture & Economy	3,667	3,601	(66)	-1.8%
-	Major Projects & Regeneration	513	513	-	0.0%
313	Total	12,177	12,530	353	2.9%

Explanation of Key Variances

The Directorate has instigated management action to contain the forecast overspend and progress towards a balanced position. The adverse weather conditions resulted in a reduced footfall for Holiday on Ice with a consequent reduction in the income forecast causing the forecast overspend for the Directorate to increase. Before this exceptional item, the Directorate has identified £0.080 million reduction in the forecast as a result of management action.

Further action will continue to be taken for the remainder of the financial year to work towards a balanced position. This includes tight control on filling vacant posts, spending only on essential items of supplies and services and tight accountability. Tourism and Venues is forecasting an overspend due to entertainment shortfalls, business rates revaluation and unbudgeted repairs works at the Brighton Centre on the soil waste pipes. Venues will put tighter controls on the casual staff budget and maximise recharges to promoters.

Income at the Royal Pavilion and Museums is expected to be £0.300 million below target, an element of this relates to the adverse weather conditions as the Royal Pavilion was forced to close for 5 days in January as a result of a failure in the heating system. Together with energy pressures of £0.125 million these pressures are partly offset by vacancy management and other efficiencies within the service. Additional actions include retail product introduction and driving up profit margins; introduction of events to compensate for losses on corporate functions and weddings.

Centrally Managed Budgets

Forecast Variance Month 6 £'000	Division	2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
-	Bulk Insurance Premia	2,960	2,660	(300)	-10.1%
(260)	Concessionary Fares	7,345	6,945	(400)	-5.4%
-	Area Based Grant	(13,705)	(13,705)	-	0.0%
(400)	Capital Financing Costs	10,319	9,919	(400)	-3.9%
-	Levies & Precepts	195	195	-	0.0%
(2,175)	Other Corporate Items	6,740	3,865	(2,875)	-42.7%
(2,835)	Total	13,854	9,879	(3,975)	-28.7%

Explanation of Key Variances

There is a forecast saving on Bulk Insurance Premia of £0.300 million due to the number and size of insurance claims during the year being less than anticipated.

The underspend on concessionary bus fares has increased by £0.140 million to £0.400 million as a result of reduced journey numbers in December and a forecast reduction for January due to the adverse weather.

There is a forecast £0.400 million underspend on Financing Costs (after a contribution from the interest rate reserve of £0.900 million). The Treasury Management Policy approved at Cabinet in November describes the reasons why the council has been repaying debt primarily to reduce the council's exposure to investment risk. The repayment of debt has also resulted in a net saving to the council of around £1.200 million after taking account of the loss of investment income, although there is a net cost to the HRA due to perverse changes in subsidy (see HRA).

Under 'Other Corporate Items', the main variance is a saving of £1.275 million due to the pay award being confirmed at 1%, which is lower than the 2% included in the budget. The 2009/10 budget also includes a contingency provision of £0.750 million which is therefore available to offset general in-year pressures relating to social care demand and the economic situation.

Due to the continued overspend position the forecast no longer assumes the transfer of £0.700 million from contingency to support Building Schools for the Future. Replacement funding will be provided for this through the 3 year Capital Programme.

Section 75 Partnerships

Forecast Variance Month 6 £'000	Division	2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
-	Council managed S75 Servs	23,722	23,801	79	0.3%
386	NHS Trust managed S75 Servs	13,496	13,989	493	3.7%
386	Total S75	37,218	37,790	572	1.5%

Explanation of Key Variances

Council managed S75 services (Learning Disabilities) are forecasting a small overspend of £0.079 million being the expected shortfall on the Financial Recovery Plan of £1.900 million. To date, £1.605 million has been achieved as a result of panels ensuring that eligibility criteria (FACs) are applied robustly; there are also cost reductions from Preston Drove remodelling, spot contract negotiations and the Home Care review. Discussions with the PCT are ongoing on complex cases which are considered eligible for Continuing Health Care or Joint Funding there is a risk of a shortfall against the remaining £0.286 million of the Financial Recovery Plan expected to be delivered in the final quarter.

NHS Trust managed S75 services are forecasting an overspend of £0.493 million as follows:

- Sussex Partnership Foundation Trust (SPFT) – Mental Health & Substance Misuse is overspending by £0.319 million due to increases in the number and cost of homecare placements in Adult Mental Health.
- South Downs Health Trust – is overspending by £0.174 million, due to a staffing pressure on intermediate care services.

Generally, the S75 Partnership Agreements require the Integrated Service Providers (SPFT and SDH) to manage in-year cost pressures and carry this risk, subject to any agreement by the partners to vary risk-sharing provisions within the agreements. However, in practice, overspends can arise for a combination of unplanned provider and/or commissioning reasons and therefore overspends often need to be resolved jointly by commissioners and the provider/s by agreeing new risk sharing parameters. Risk share arrangements and ways of controlling expenditure are being actively discussed with SPFT to ensure that the current pressure is managed.

Brighton & Hove City Council / Primary Care Trust pot of £0.450 million for Older People Mental Health Services is being held by Joint Commissioners as a contingency reserve against overspends on NHS Managed Services.

Item 70: Appendix 2 (A)

Housing Revenue Account (HRA)

Forecast Variance Month 6 £'000	Housing Revenue Account	2009/10 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(257)	Employees	9,265	8,867	(398)	-4.3%
133	Premises – Repair	11,093	11,280	187	1.7%
49	Premises – Other	3,038	3,093	55	1.8%
(70)	Transport & Supplies	2,093	2,140	47	2.2%
(29)	Support Services	2,251	2,182	(69)	-3.1%
140	Revenue contribution to capital	4,690	4,830	140	3.0%
(748)	Capital Financing Costs	4,356	3,614	(742)	-17.0%
1,003	Subsidy Payable	11,083	12,184	1,101	9.9%
221	Net Expenditure	47,869	48,190	321	0.7%
28	Dwelling Rents (net)	(41,168)	(41,179)	(11)	0.0%
(36)	Other rent	(1,222)	(1,217)	5	0.4%
(2)	Service Charges	(3,861)	(3,767)	94	2.4%
31	Supporting People	(564)	(615)	(51)	-9.0%
55	Other recharges & interest	(1,054)	(1,076)	(22)	-2.1%
76	Net Income	(47,869)	(47,854)	15	0.0%
297	Total	-	336	336	

Explanation of Key Variances

The forecast spend has increased to a projected overspend of £0.336 million compared to the overspend of £0.297 million forecast at month 6.

The forecast underspend on Employees has increased to £0.398 million which is due to the pay award being lower than budgeted for and vacancy management which is pending reviews to be implemented as part of the Housing Management improvement programme.

The Premises - Repairs forecast shows an overspend of £0.187 million, a slight increase of £0.055 million compared to month 6. This represents 1.7% of the Repairs revenue budget (£11.093 million) and includes the following variances:-

- The Responsive Repairs budget forecast overspend has increased by £0.055 million to £0.397 million. This is mainly due to high levels of expenditure during the early part of the year relating to additional works not in the base contract, such as damp proofing, being undertaken. Any repairs that are not considered a priority will now be programmed into the planned maintenance programme which is more cost effective.
- This overspend has been partly mitigated by the delay in implementing new service contracts (£0.101 million, now programmed to be implemented on 1 April 2010), and efficiencies realised in the decorations contract (£0.109 million).

Revenue Contributions to Capital, are projected to overspend by £0.140 million in relation to 6 major voids approved at Cabinet on 29 June 2009.

Item 70: Appendix 2 (A)

It was previously reported that the current economic situation has led to a change in the corporate policy towards Treasury management. In order to substantially reduce the exposure to risk the council has prematurely repaid some £57 million of debt. This early repayment has also benefited the council by reducing capital financing costs of which the HRA has seen a reduction of £0.764 million, (i.e. £0.742 million capital financing costs underspend net of £0.022 million interest reduction shown under Income). However, for the HRA, due to the complexities of the subsidy system, there is also an increase of £1.101 million Housing Subsidy payable to central government resulting in a net overspend of £0.337 million. The council is monitoring the financial markets and, when there are signs that the markets are returning to a more stable and secure outlook, these interim measures will be withdrawn and new borrowing will be raised. If and when this happens the negative impact on the HRA will be revised.

The Service Charges under achievement of income has increased to £0.094 million. This increase is mainly due to an underachievement of leaseholder charges following lower than anticipated charges being levied.

KEY ACTIVITY DATA SUPPORTING CORPORATE CRITICAL BUDGET FORECASTS

	Activity Indicator	Unit Cost Indicator	BUDGET			FORECAST			VARIANCE		
			Activity	Unit Cost/ Income £	Budget £	Activity	Unit Cost/ Income £	Budget £	Activity	Unit Cost/ Income £	Budget £
Child Agency & In-house Placements											
Disability Agency	Number of children	Cost per week	9.00	1,893.30	888,500	8.27	2,033.99	877,100	(0.7)	141	(11,400)
Disability Respite			n/a	n/a	157,000	n/a	n/a	110,300			(46,700)
Independent Foster Agency (IFA)	Number of children	Cost per week	96.00	946.20	4,736,400	132.98	839.09	5,818,200	37.0	(107)	1,081,800
Residential Agency	Number of children	Cost per week	42.00	2,419.09	5,297,800	35.65	2,639.69	4,906,900	(6.4)	221	(390,900)
Secure Accommodation	Number of children	Cost per week	2.00	4,088.77	426,400	3.38	4,325.85	762,400	1.4	237	336,000
In-House Placements	Number of children	Cost per week	401.00	268.32	5,610,400	377.42	291.89	5,744,400	(23.6)	24	134,000
Leaving Care Accommodation	Number of children	Cost per week	43.50	404.15	916,700	59.68	264.44	822,900	16.2	(140)	(93,800)
Leaving Care Ex Asylum Seekers	Number of children	Cost per week	16.00	133.65	111,500	32.48	143.25	242,600	16.5	10	131,100
Educational Agency (DSG)	Number of children	Cost per week	121.00	616.82	3,891,700	99.00	714.49	3,688,324	(22.0)	98	(203,376)
											936,724
Community Care											
NHScc Older People	No. WTE Clients	Cost per week	1,683	201	17,613,000	1,755	193	17,670,000	72.8	(8)	57,000
NHScc Physical Disabilities	No. WTE Clients	Cost per week	512	181	4,828,000	591	173	5,326,000	78.5	(8)	498,000
NHScc Asylum Seekers MH	No. WTE Clients	Cost per week	40	174	367,000	94	156	765,000	53.4	(18)	398,000
											953,000
Section 75 Learning Disabilities											
S75 NHScc Learning Disabilities	No. WTE Clients	Cost per week	682	581	20,657,000	680	582	20,655,000	(1.6)	1	(2,000)
S75 NHS & Community Care Act											
S75 NHScc Adult Mental Health	No. WTE Clients	Cost per week	235	260	3,184,000	293	245	3,755,000	58.3	(14)	571,000
S75 NHScc Older People Mental Health	No. WTE Clients	Cost per week	483	262	6,608,000	516	246	6,607,000	32.9	(17)	(1,000)
S75 NHScc Substance Misuse	No. WTE Clients	Cost per week	5	390	104,000	5	415	104,000	(0.3)	25	0
S75 NHScc HIV	No. WTE Clients	Cost per week	26	154	210,000	30	118	185,000	3.8	(35)	(25,000)
											545,000

OVERALL CAPITAL POSITION AT MONTH 9

	2009-10 Budget	New Schemes	Budget Reprofiles	Budget Variations	Amended Budget	2009-10 Forecast Outturn	2009-10 Forecast Slippage	2009-10 (Savings) / Overspends
Directorate	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Strategy & Governance	821				821	525	296	-
Culture & Enterprise	1,731		(628)		1,103	1,103	-	-
Finance & Resources	5,250		(610)	207	4,847	4,637	210	-
Adult Social Care & Housing	11,635		(813)		10,822	10,822	-	-
Housing Revenue Account (HRA)	19,334		(1,111)		18,223	18,495	15	287
Children & Young People's Trust	19,568	232	(2,986)	5,026	21,840	21,410	899	469
Environment	20,163		(2,839)	270	17,594	16,770	824	-
Total Council Budgets	78,502	232	(8,987)	5,503	75,250	73,762	2,244	756

Summary of New Schemes for all Directorates

	2009/10 Budget £'000	2010/11 Budget £'000	Total Changes £'000
New Schemes Summary			
Children & Young People's Trust			
New Schemes over £50,000 (detailed in appendix)	212	140	352
Minibus	20		20
Total Changes to Budgets	232	140	372

Details of new schemes for all Directorates (over £50,000)

Directorate: CYPT	New Project Budget: £100,000
Project Title: Specialist Schools	

Downsview school were successful in their bid for funding under the Specialist Schools Programme for £0.1 million in 2009/10 for equipment to improve their IT infrastructure.

2009/10 £	2010/11 £	2011/12 £	Total £
100,000			100,000

This will be funded from LPSA2G monies allocated by the Partnership Board.

Directorate: CYPT	New Project Budget: £112,500
Project Title: School Kitchens / Cashless System	

The Council has been successful in obtaining a capital grant to implement a cashless system for school lunches at Davigdor infant, Somerhill Junior, Longhill Secondary and Cardinal Newman Roman Catholic Secondary Schools. The Council anticipate that the increase in take up will be 5% from the introduction of a cashless system. The grant also includes the refurbishment of the dining facilities at the same schools which will increase the size of the dining areas. This includes £0.020 million for a pilot scheme.

2009/10 £	2010/11 £	2011/12 £	Total £
112,500	139,900		252,400

Summary of Re-profiles for all Directorates

	2009/10 Budget £'000	2010/11 Budget £'000	Total Changes £'000
Reprofiles Summary			
Culture & Enterprise			
Reprofiles over £50,000 (detailed in appendix)	(477)	477	-
Falmer Community Stadium	(48)	48	-
West Pier / i360	(13)	13	-
Circus Street	(35)	35	-
City College	(20)	20	-
The Keep	(15)	15	-
Falmer Released Land	(20)	20	-
Total Culture & Enterprise	(628)	628	-
Finance & Resources			
Reprofiles over £50,000 (detailed in appendix)	(526)	526	-
Sharepoint Implementation	(14)	14	-
Kensington Street	(19)	19	-
Longhill renewable energy	(17)	17	-
Ovingdean Grange Farm	(34)	34	-
Total Finance & Resources	(610)	610	-
Adult Social Care & Housing			
Reprofiles over £50,000 (detailed in appendix)	(785)	785	-
Craven Vale Conversion Works	(28)	28	-
Total Adult Social Care & Housing	(813)	813	-
Adult Social Care & Housing (HRA)			
Reprofiles over £50,000 (detailed in appendix)	(1,111)	1,111	-
Environment			
Reprofiles over £50,000 (detailed in appendix)	(2,785)	2,785	-
Pool Valley traffic Measures	(33)	33	-
Walpole Road Bus Stop	(13)	13	-
West Street Rottingdean	(8)	8	-
Total Environment	(2,839)	2,839	-
CYPT			
Reprofiles over £50,000 (detailed in appendix)	(2,946)	2,946	-
Schools Access Initiative 2008/09	(40)	40	-
Total CYPT	(2,986)	2,986	-
Total Changes to Budgets	(8,987)	8,987	-

Re-profiles for all Directorates

Culture & Enterprise

Directorate: Culture & Enterprise	Approved Budget: £327,100
Project Title: Brighton Centre	Revised Budget: £90,000
	Variation: £(237,100)

The council's 2009/10 profile reflected Standard Life's timetable for the appointment of a full professional development team. On the basis of their timetable, the council's own officer team and any necessary advisers would need to have been working with Standard Life throughout 2009 and into Spring 2010. Standard Life have not met the timetable for procurement of their design team. Whilst they have selected members for the team, via the OJEU process (which was started as anticipated in January 2009) they have chosen to postpone formal appointment of the team until an (as yet unspecified) date. Standard Life have informed the council that they are awaiting the outcome of some further financial and costing analysis before making the final appointments. Current estimates for this from Standard Life are February/March 2010. Assuming their design team is appointed immediately thereafter and begins work straight away, the council officer team and their advisers will begin work alongside Standard Life throughout the summer of 2010 and remainder of the year. A funding profile and allocation of costs has been estimated on the above basis. It must be emphasised that the final control over this timetable lies with the council's development partner, Standard Life, and not with the council.

Directorate: Culture & Enterprise	Approved Budget: £57,410
Project Title: Black Rock	Revised Budget: £5,000
	Variation: £(52,410)

The project timetable for the Brighton International Arena (BIA) remains the same, once evidenced funds have been secured. A start on site can be achieved relatively quickly, as the council has approved the Stage D level design in its landlord role and considerable pre-planning discussions have also taken place. Whilst a new funder was secured in October 2008 and an Investment Agreement signed, final proof of evidenced funds have yet to be secured by BIA, despite strenuous efforts on their behalf to do so. BIA have therefore continued to work on other sources of funding. For this reason the council funds allocated for 2009/10 were not required as hoped, but once evidenced funds *are* achieved for the project, in the present financial year, specialist legal and financial input will be urgently needed to move the project quickly forward. This will involve final due diligence work for the council and the refreshing of various legal documents prior to a planning application being lodged.

Directorate: Culture & Enterprise	Approved Budget: £159,710
Project Title: Open Market	Revised Budget: £104,890
	Variation: £(54,820)

Funding from the 2009/10 Approved Budget has been committed to support costs associated with achieving vacant possession of the site to enable the Cabinet approved scheme to progress. Although agreement between the various parties has been reached

Item 70: Appendix 2 (E)

in principle, vacant possession is now unlikely to be required until 2010/11, at which time funding will be required to complete the enabling transactions.

Directorate: Culture & Enterprise	Approved Budget: £84,450
Project Title: Preston Barracks	Revised Budget: £15,000
	Variation: £(70,450)

In March 2009, Cabinet rejected the developer's final scheme proposals for Preston Barracks in favour of a thorough review of the development opportunities, together with the exploration of alternative delivery arrangements. During the following 6 months a series of high level meetings between the city council, the University of Brighton and SEEDA worked to establish a shared vision for a revised scheme involving wider development opportunities taking in Preston Barracks and adjacent University land on both sides of Lewes Road. Progress was reported to Cabinet on 17 September 2009. Cabinet supported the work to date and agreed the next steps for taking it forward. The past year has necessarily, therefore, centred on the need for the partners to agree a joint approach, partnership arrangements and the process by which to proceed. As a consequence, spending on specialist advice and support (e.g. financial, legal, design etc) has been very limited during 2009/10 but these services will be required in future years as the scheme develops.

Directorate: Culture & Enterprise	Approved Budget: £97,480
Project Title: King Alfred Redevelopment	Revised Budget: £35,000
	Variation: £(62,480)

The emphasis in the current financial year has been working towards retaining the current building as an operating leisure centre in the short term. Initial condition assessments and surveys of the King Alfred Leisure Centre identified the need for urgent health & safety and maintenance works to keep the building operational. A further report to Cabinet in June 2009 released an additional allocation of resources to complete the health & safety and planned maintenance works, together with a sum for medium term improvement works. This investment into the King Alfred Leisure Centre has shown the council's commitment to keep the city's largest indoor sports facility open for the next 3-5 years. In the long term a new sports centre is required to provide sporting opportunities of a quality that matches the expectations of residents and visitors alike. The process of starting another project is still very much in its infancy and will require considerable work over the next 6 month period depending on resources available and the scope of the project. Working towards consensus on a new set of objectives is resource intensive and will involve a review of all key/core documentation, setting up decision making structures and consultative mechanisms. Funding originally allocated for this purpose in 2009/10 needs to be re-profiled into 2010/11 to take into account the revised programme of work.

Finance & Resources

Directorate: Finance & Resources	Approved Budget: £150,000
Project Title: Farming diversification	Revised Budget: £4,000
	Variation: £(146,000)

It is evident from the work and research we have undertaken with our agents Smith Gore that there is not the opportunity for further diversification on the council's farmland in the

Item 70: Appendix 2 (E)

way that was originally anticipated. It is therefore proposed that the budget be directed towards the broader capital investment requirements on the agricultural portfolio.

Directorate: Finance & Resources	Approved Budget: £281,650
Project Title: Madeira Lift	Revised Budget: £231,650
	Variation: £(50,000)

Various works to the structure and mechanics of the grade 2 listed Madeira Lift and the surrounding terrace have been undertaken during 2009-10. The remaining £0.050 million is not required at present and will be set aside while options for possible full restoration of the copper roof to its original design are explored.

Directorate: Finance & Resources	Approved Budget: £328,660
Project Title: Statutory DDA Works	Revised Budget: £233,660
	Budget change: £(95,000)

St Lukes Swimming Pool

£0.070 million of the Statutory DDA works is for St Lukes Swimming pool access improvements and refurbishment following an application for match funding from Sport England.

For the Sport England Funding to be used during the financial year 2009/10 as originally required, the pool would be out of use for an entire school term which would be far from ideal. In September 2009 the Council was informed by Sport England that the time scale for using their funding had been extended to August 2010, and the decision was taken to postpone starting the Works to Summer 2010

An amount of £0.025 million has also been included in slippage for 62/63 Old Steine (£0.020 million owing to a delay in appointing the Architect) and Hove Museum (£0.005 million due to postponement of works to allow more time to secure additional funding).

Directorate: Finance & Resources	Approved Budget: £175,170
Project Title: Replacement of FIS	Revised Budget: £0
	Total Budget Change: £(175,170)

The development of Financial Information System (FIS) interfaces with other corporate systems are pending the implementation of other systems and/or system modifications. For example, the implementation of the new HR/Payroll system and changes to the Housing System will now generally impact on FIS in 2010/11 rather than this year. Other delays are due to the slower than expected pace of system development by the supplier, Civica, particularly in relation to the development of their web-based front end (Authority Web) and the development of other aspects of the system such as budgeting and debtors modules. [This accounts for £0.155 million of the budget change.](#) [An amount of £0.020 million has been included in slippage for the Intelligent Scanning \(invoices\) project.](#) This has been delayed due to limited project management capacity in ICT which has been diverted to higher priority areas in the short term making a total budget change of £0.175 million.

Item 70: Appendix 2 (E)

Directorate: Finance & Resources	Approved Budget: £155,340
Project Title: ASC Infrastructure Grant	Revised Budget: £50,000
	Variation: £(105,340)

This capital budget is for developing adult social care IT infrastructure to support local authorities to continue to develop their IT infrastructure to support effective information sharing between health and social services. Planning of the spend has taken place during 2009/10 with the implementation in 2010/11 in order to link in with the national Personalisation Agenda.

Adult Social Care & Housing

Directorate: Adult Social Care & Housing	Approved Budget: £468,500
Project Title: Westbourne / Pioneer House	Revised Budget: £248,500
	Variation: £(220,000)

Capital project linked to two other sites – Hawkhurst Rd and Pioneer House, Downland Health Authority will claim the next tranche of grant now that Westbourne has completed (Dec 09), the remaining £0.220 million is to be paid once DHA has purchased the old Pioneer site subject to having achieved a full planning consent. The Westbourne completion was delayed due to adverse weather and unseen site specific conditions this has had a knock on effect on the planned development of the other sites within this project.

Directorate: Adult Social Care & Housing	Approved Budget: £760,000
Project Title: Places for Change Programme	Revised Budget: £610,000
	Variation: £(150,000)

This scheme funded through the Homes & Communities Agency (HCA) has two elements Palace Place and First Base. The Project timetable has been delayed through unforeseen circumstances by approximately 6 months but are both within the HCA Capital Programme timescales of completion by March 2011.

Palace Place:

The funder (HCA) requested the installation of a lift to all floors to be incorporated into the scheme. This involved additional work and an application for further funding which was verbally agreed in December 2009.

The property has had squatters on two separate occasions despite additional security measures being in place following the first incidence. The unlawful occupation of the building has led to delays in surveys, costings and opening out works resulting in delays in the finalising of design and budgets. Further security arrangements are being put in place.

First Base:

The main reason for delays to the First Base Project have been a change in design from the initial scheme in agreement with the funder (HCA) and consequent changes to planning permissions required by English Heritage; additional works identified which have required applications for matchfunding and an increased grant.

Item 70: Appendix 2 (E)

Directorate: Adult Social Care & Housing	Approved Budget: £9,629,310
Project Title: BEST Private Housing Renewal Programme	Revised Budget: £8,854,310 Variation: £(415,000)

Expenditure under this cost centre is dependent upon completion of works by individual applicants following approval of applications for housing renewal assistance. The capital comes in the form of grant which can be carried over. Two large capital projects will not complete in this financial year due to issues outside of our control:

- Wellington Road - a large capital project in partnership with the landlord of the property. The start on site for this project was delayed due to planning issues outside of our control. The works have now started, and expected completion is September 2010. This will mean that grant funding will not be payable this financial year and £0.250 million will need to be carried forward to 2010/11.
- Windsor Court is another large capital project that has been delayed due to a burst pipe on site during the extreme weather. An interim payment of £0.160 million has been made, the second payment of £0.165 million will be made early in 2010/11 when the contractor completes the work. Therefore £0.165 million will need to be carried forward to 2010-11

There will be no impact on service users, all applications for assistance have been processed in line with our approved policy, and no alternative service provision has been necessary.

Adult Social Care & Housing (HRA)

Directorate: Housing (HRA)	Approved Budget: £1,105,000
Project Title: Electrical Surveys	Revised Budget: £220,000 Variation: £(885,000)

The £1.1million budget is to complete surveys on high rise, sheltered and medium rise properties throughout the city, as well as any associated works. The high rise surveys have been completed and the sheltered surveys are due to be completed within 2009/10. It is proposed to carry out the medium rise surveys in 2010/11 which will enable the council to utilise cost efficient rates through the 10 year partnering contract. In addition works have been indentified to three properties which will be incorporated in to the new 10 year partnering contract along with any future work deemed necessary as a result of the surveys.

Therefore the proposal is to reprofile £0.390 million relating to medium rise surveys and £0.495 million relating to works into 2010/11 to be completed as part of the programme within the new 10 year partnering contract.

Directorate: Housing (HRA)	Approved Budget: £240,000
Project Title: Walter May House & Rosehill Court Lifts	Revised Budget: £14,000 Variation: £(226,000)

The £0.240 million is for a chair lift and lift to be installed in Walter May House and Rosehill Court. The projects went out to tender and were due to be awarded on 15th December 2009, however the bids received did not meet the council's requirements. The projects now

Item 70: Appendix 2 (E)

need to be retendered and will not be let until the beginning of 2010/11. Alternatives have been looked at in order to install the chair lifts as a separate item however due to their bespoke nature, the timescales were no shorter than retendering the entire projects.

Therefore the proposal is for the tender process to be completed in 2009/10 and to reprofile £0.113 million for each Lift project into 2010/11 when the work will be completed.

Environment

Directorate: Environment	Approved Budget: £1,317,560
Project Title: CIVITAS	Revised Budget: £930,000
	Variation: £(387,560)

The reported CIVITAS reprofile of £0.388 million reflects a combination of three factors. Firstly, the CIVITAS programme started later than planned, and by the time resources had been identified to deliver projects within the programme, delays of between 2 and 4 months had taken place on each individual project programme (and so original cost profile). This, along with more accurate project costings, was reflected in a revised cost profile submitted to the European Commission in March 2009. The second factor is that whilst this revised profile has been agreed in principle, until the Commission formally accept it, the council still needs to monitor against original (and so superseded) cost profiles. The third complicating factor is the fact that CIVITAS has a different financial year to the council's financial year, running from September rather than April – and so a reported underspend at the end of the council's financial year does not necessarily mean an underspend within the CIVITAS financial year. In summary, the apparent underspend reflected in this report does not reflect the positive progress of the CIVITAS projects or programme (most of which is on target despite the late commencement of work). It is expected that the revised forecasts provided in the 2009 submission will be accepted when the first year's CIVITAS progress report (submitted before Christmas) has been agreed by the European Commission. Thereafter, reported spend will likely better reflect profiled spend.

Directorate: Environment	Approved Budget: £2,108,930
Project Title: King Alfred	Revised Budget: £1,308,930
	Variation: £(800,000)

Cabinet agreed on 11 June 2009 an additional allocation of £0.641 million on top of the existing 2009/10 budget of £0.718 million to complete the health and safety and major refurbishment works. This made a total of £1.5 million for this part of the major works over the years 2008/09 add 2009/10. This urgent works contract is nearing completion now and £50,000 of this budget needs to be reprofiled to 2010/11. The reason for this is as the works are exposed within the building it is often necessary to replace additional parts not in the original plan. An example of this is the works for renewal of trunking (which hold the existing cables in place). However, when the trunking was exposed the wiring within also needed to be replaced and this held up this part of the project.

The Cabinet report also recommended that £0.750 million would be needed once the above works were complete to undertake major improvement works to the building to benefit the operation of the building in the medium term (3 -5 years). This funding is to be

Item 70: Appendix 2 (E)

reprofiled.as the urgent works contract needed to be completed before these additional works were started in case of any overruns.

Directorate: Environment	Approved Budget: £3,828,000
Project Title: Falmer Infrastructure	Revised Budget: £2,570,000
	Variation: £(1,258,000)

SEEDA have revised their allocation and the expected spend in 2009/10 is £2.57 million and the previous years spend was £0.329 million. The overall SEEDA grant including staff fees is £5.226 million so the spend for 2010/11 will be £2.327 million (taking into account the £2.57 million in 2009/10 and £0.329 in 2008/09). Beyond that, in 2010/11 the overall costs of the scheme is expected to exceed the SEEDA grant and the club will pay for the overrun as per the Agreement. Cabinet will be kept informed of progress.

Directorate: Environment	Approved Budget: £640,000
Project Title: Controlled Parking Schemes	Revised Budget: £300,000
	Variation: £(340,000)

Spend is dependent on whether an area takes up the offer of a parking scheme - this is not known until the relevant consultation has taken place. It is also dependent on how large an area opts for a scheme, as the bigger the scheme, the greater initial expenditure on implementation, including signing, lining and provision of Pay & Display machines. This year, the Stanford area, which was to have been part of the proposed Parking Scheme for Preston Park, did not take up the offer of a parking scheme. In addition to the underspend this caused, savings were made on the procurement of new pay and display machines, by making use of existing unused machines, and therefore reducing the number of new machines which had to be purchased. The budget will be carried forward to fund any new schemes that are brought forward in 2010/11.

Children & Young People's Trust

Directorate: CYPT	Approved Budget: £2,037,990
Project Title: Sure Start Early Years	Revised Budget: £732,690
	Variation: £(1,305,300)

A number of small projects have been completed including equipment grants to pre-schools and the refurbishments of Mile Oak Community Centre and Pavillion Pre-School. The extension to Peter Gladwin School (£0.5 million) will be completed this term and other large projects are underway for example the new building for the Hollingbury Park Playgroup (£0.6million) and the Preston Park Children's Centre (£0.245 million - also funded from CC funding). Many of the larger projects have required a longer lead in time than planned in order to obtain approval; detailed design; planning permission; tendering for contractors and several months on site. Significant progress has been made and it is envisaged that the projects will be finalised in 2010/11 in accordance with the terms of the grant.

Item 70: Appendix 2 (E)

Directorate: CYPT	Approved Budget: £1,331,390
Project Title: Children's Centres Phase 3	Revised Budget: £604,990
	Variation: £(726,400)

A number of smaller projects have been completed including the Saltdean Children's Centre and improvements to outside areas. The larger projects have started including Westdene Children's Centre (estimated cost £0.260 million), Preston Park Children's Centre, extension to the Roundabout Children's Centre (£0.3 million), Hangleton CC extension (£0.2 million), and refurbishment of the Shenfield Way offices for the Hollingdean CC (£0.08 million). A new Children's Centre has been agreed for Fairlight School (£0.1 million). Many of the larger projects have required a long lead in time in order to obtain feasibility; approval; detailed design; planning permission; tendering for contractors and several months on site. Significant progress has been made and it is envisaged that the projects will be finalised in 2010/11 in accordance with the terms of the grant.

Directorate: CYPT	Approved Budget: £501,120
Project Title: Extended Schools Childcare	Revised Budget: £75,740
	Variation: £(425,380)

The DCSF capital allocation for Extended Schools is available over a 3 year period. This capital funding is for the adaptations needed to enable the provision of extended services around primary school sites. There are now several projects currently being undertaken for which re-profiling of the budget is requested :

Our Lady of Lourdes-Work has started on this project and it is scheduled to be completed by the end of March 2010. Originally the estimated cost was £0.120 million (as approved by Cabinet) however the lowest tender received is for £0.127 million - an increase of £0.007 million in this financial year.

Tarnerland -This project is to replace a very poor quality temporary building with a new larger demountable building. The planning application is due to be submitted in February 2010 with work on site starting in the spring and due to finish by September 2010. This project is estimated to cost £0.150 million in total of which £0.008 million will be incurred 2009/10 and £0.142 million in 2010/11.

Queens Park-This project has been delayed due to proposals to increase the school to two form entry. A joint consultation is taking place in February on these proposals and the development of an extended services facility on site. Because of this, there is a two stage proposal planned. A temporary building will be placed on the school site to house the afterschool and holiday provision for the next two to three years. The planning application should be submitted in February. It is intended that when capital works are undertaken at the school to extend the size to enable the school to become two form entry, a permanent extended services facility will be included in the build. This project is now estimated at £0.311 million in total of which £0.016 million will be incurred in 2009/10 and £0.295 million in 2010/11.

Item 70: Appendix 2 (E)

Directorate: CYPT	Approved Budget: £3,822,320
Project Title: Primary Capital Programme	Revised Budget: £3,700,000
	Variation: £(122,320)

While the Balfour Junior Primary Capital Programme project has reached a very successful conclusion, the project at Davigdor Infant School is 7 to 8 weeks behind programme. Following demolition of an existing part of the building the extent of suspected poor ground conditions proved more significant. This resulted in a change of foundation design and an element of piling. Taking this into account and the recent site closure due to the snow has had an impact on our cash flow forecast. As a result, we are seeking to reprofile £0.122 million to 2010/2011.

Directorate: CYPT	Approved Budget: £1,349,630
Project Title: NDS Modernisation 2009/10	Revised Budget: £1,200,00
	Variation: £(149,630)

Current projections for NDS Modernisation suggest a spend of approximately £1.200 million in 2009/10. The development of some schemes has taken longer than originally anticipated through no fault of the council, a number have progressed more slowly on site and some have required programming in the Easter holiday or early in April/May.

Directorate: CYPT	Approved Budget: £350,000
Project Title: NDS Modernisation 2010/11	Revised Budget: £300,000
	Variation: £(50,000)

As reported at Q1 it was agreed to bring forward £0.350 million of the 2010/11 NDS Modernisation allocation to fund work at two primary schools. It is anticipated that the actual expenditure this year will be £0.300 million.

Directorate: CYPT	Approved Budget: £366,680
Project Title: Schools Access Initiative 2009/10	Revised Budget: £200,000
	Variation: £(166,680)

The current projection for this year's School Access Initiative is a spend of approximately £0.200 million. Work is currently being developed/developed at Patcham High School and in relation to the Hearing Impaired Facility at Bevendean Primary. A contribution will also be made to the major project at Longhill School to assist in meeting DDA requirements and continue to improve access in the school. The £0.050 million reprofile is due to delays outside the Councils control. This work will take place in the new financial year.

Budget Variations for all Directorates

Budget Variations Summary	2009/10 Funding £'000	2009/10 Budget £'000	Total Changes £'000
Finance & Resources			
Variations over £50,000 (detailed in appendix)		180	180
Unsupported Borrowing	(180)		(180)
Land at Falmer Way		27	27
Capital Receipts	(27)		(27)
Environmentment			
Variations over £50,000 (detailed in appendix)		270	270
Grant	(270)		(270)
CYPT			
Variations over £50,000 (detailed in appendix)		5,026	5,026
Grant	(5,026)		(5,026)
Total Changes to Budgets	(5,503)	5,503	-

Finance & Resources

Directorate: Finance & Resources	Approved Budget: £0
Project Title: Mortuary Extension	Revised Budget: £100,000
	Variation: £ 100,000

The final statement calculated by the schemes appointed quantity surveyor has identified an additional funding requirement of approximately £0.100 million. Following completion of the works additional efficiencies have been generated within the service, this will allow resources to be released to fund the residual works. The addition costs are a result of the delays caused by works stopping for body's to be viewed by relatives and this had not been allowed for in the original scheme costings. The remainder of the overspend is a result of additional works required to complete the scheme. The repayment of the additional unsupported borrowing costs have been included in the current revenue forecast and allowed for in next year budget.

Directorate: Finance & Resources	Approved Budget: £210,000
Project Title: Cemeteries	Revised Budget: £290,000
	Variation: £80,000

The phase 2 cemetery works at Woodvale need an additional £0.080 million to complete the works, additional savings have been found in the service to cover the borrowing costs. The possibility of shorter term repair solutions to the works by not undertaking some areas of work was considered but savings were minimal in comparison to the service disruption and the additional cost of re-erecting scaffolding would not be a good use of resources.

Environment

Directorate: Environment	Approved Budget: £316,000
Project Title: Cycling Town	Revised Budget: £586,000
	Variation: £270,000

Cycling England awarded Brighton & Hove additional funding for implementation of Cycling Town Capital projects to further enhance the Cycling Town programme for 2009/10. All monies must be spent and accounted for by the end of the financial year.

Funding is received from the Department for Transport via Cycling England. There is no requirement for the additional funding to be matched by Brighton & Hove City Council. The only requirement is that the funding is spent during this financial year (09/10) and allocated to the projects defined above. The allocation is as follows: £0.200 million on bike parking facilities in Bike IT schools and LA schools with active school travel plans; £0.040 million on development of Bike Park facility designs and plans for Brighton Station and £0.030 million to re-align and re-surface the popular NCN2 route in front of the West Pier.

CYPT

Directorate: CYPT	Approved Budget: £1,030,000
Project Title: Falmer Academy	Revised Budget: £6,056,000
	Variation: £5,026,000

Cabinet endorsed the business case for the Falmer Academy on 17 September 2009. The project manager has provided the profile of spend for the years 2009/10 to 2012/13. This report includes the projection for 2009/10 and the Capital Budget report includes the profile from 2010/11 onwards.

New Estimated slippage of over £50,000 for all Directorates

 Directorate: Strategy & Governance

Slippage £296,000

Project Title: Human Resources System

Final contracts and start dates with suppliers of the new Human Resource system have delayed some elements of the project. Therefore expected supplier, team, communications and training expenditure has moved to the financial year 2010/11.

The timetable for the project implementation has not changed. The phasing of what is delivered by when has changed hence the spend re-profile. This has not impacted service delivery. Business benefits realisation for the project may require adjustment and this will be reviewed with the Project Board on a monthly basis.

2009/10 £	2010/11 £	2011/12 £	Total £
(296,000)	296,000		0

 Directorate: CYPT

Slippage £85,000

Project Title: Aiming High for Disabled children

We are currently forecasting a variance of £0.085 million on this capital budget, which we would like to carry forward to 2010/11. This is in accordance with the terms of the grant.

The underspend is due to a delays on a number of projects including the Portable Changing Unit and Contract carers' adaptations.

The terms of the grant allow us to carry forward unspent capital to 2010/11, and it will be used to spend on capital items to facilitate increased short breaks for disabled children.

2009/10 £	2010/11 £	2011/12 £	Total £
(85,000)	85,000		0

 Directorate: CYPT

Slippage: £814,500

Project Title: Devolved Formula capital to Schools

Devolved Formula Capital is a financial resource that is devolved to schools by the Local Authority. Schools have the option to accrue the money for a maximum of three years. However, accrued funds are normally retained by the Local Authority. The current projected outturn figures represent the amount schools are anticipated to request by the end of the financial year.

Item 70: Appendix 2 (G)

2009/10 £	2010/11 £	2011/12 £	Total £
(814,500)	814,500		0

 Directorate: Environment

Slippage: £150,000

Project Title: Downland Initiative Programme

The main reason for slippage is the announcement of the future South Downs National Park which is likely to bring additional partnership funding opportunities for land owned by the council starting from 1 April 2010. This will be of greater benefit to the Downland Initiative programme than if the capital was to be spent in 2009/10. The Downland Initiative Programme will provide much needed enhancement to Patcham Place depot. A listed stable block which is a building in poor quality.

2009/10 £	2010/11 £	2011/12 £	Total £
(150,000)	150,000		0

 Directorate: Environment

Slippage: £674,400

Project Title: Ex Leased Car Parks

Works to the ex-leased car parks have been put back pending finalisation of the Lanes and London Road improvement projects. On completion, officers will be released to start the new projects.

2009/10 £	2010/11 £	2011/12 £	Total £
(674,400)	674,400		0

Subject:	<i>Risk & Opportunity Management (ROM) Update – Agreement of Improved Procedure to Refresh the Corporate Risk Register</i>		
Date of Meeting:	30 March 2010		
Report of:	<i>Director of Finance & Resources</i>		
Contact Officer:	Name: Jackie Algar	Tel:	01273 29-1273
	E-mail:	jackie.algar@brighton-hove.gov.uk	
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Council's Corporate Risk Register (CRR) is reviewed and updated on a six monthly basis by The Management Team (TMT) in May and November each year.
- 1.2 As a result of an Audit Committee recommendation from the 15 December 2009 meeting, Appendix 1 outlines an improved procedure to ensure Cabinet Member involvement in sign off of changes to the CRR.

2. RECOMMENDATIONS:

- 2.1 That the Audit Committee notes the improved procedure to refresh the Corporate Risk Register (Appendix 1).

3. BACKGROUND INFORMATION:

- 3.1 The Risk & Opportunity Management (ROM) Strategy 2008 – 2011 includes provision for a six monthly review and update of the Corporate Risk Register by TMT. These are usually scheduled for May and November each year.
- 3.2 Each time the Corporate Risk Register is updated, it is reported for information to TMT/Cabinet and to the next scheduled Audit Committee.
- 3.3 At the Audit Committee on 15 December 2009, the updated CRR was reported, including risks removed by TMT as no longer appropriate. The Committee debated the removed risks. The minutes of the meeting record the Chair's request "for confirmation to be given to the Audit Committee that a risk had agreed for removal by the relevant Cabinet Member when the updated risk register becomes available for information to the Audit Committee".

3.4 Appendix 1 outlines an improved procedure which has been agreed by TMT on 3 March 2010 and TMT/Cabinet on 10 March 2010. This is in operation now. The relevant dates will be updated each time the CRR is refreshed and the timetable managed by the Risk Manager.

4. CONSULTATION:

4.1 The Chair and Deputy Chair of the Audit Committee and Councillors Oxley and Smith were consulted (the latter two because they agreed at the Committee meeting to progress this issue with Cabinet Members). No changes were suggested by Members to the improved procedure (Appendix 1).

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

The procedure outlined will ensure that changes to the Corporate Risk Register are fully considered including the potential financial consequences of the risks added or removed.

A number of corporate risks may have potentially significant financial implications for the authority either directly or indirectly. Effective identification and management of these risks ensures that all potential financial impacts are properly considered and that likely financial outcomes are reflected in medium term financial plans and budget strategies.

The council's Section 151 Officer also has regard to risk assessments in developing the medium term financial strategy and budget strategy. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer of a local authority to report on the robustness of the estimates included in the budget and the adequacy of the reserves and contingencies for which the budget provides.

Finance Officer Consulted: Anne Silley

Date: 9 February 2010

5.2 Legal Implications:

The Audit Committee has no direct involvement in agreeing the Corporate Risk Register but it does have a role in monitoring the effectiveness of control measures to address the Corporate Risks & Opportunities.

Lawyer Consulted: Oliver Dixon

Date: 10 February 2010

5.3 Equalities Implications:

There are no direct implications. The ROM package will address and promote the risk management aspects of equalities.

5.4 Sustainability Implications:

There are no direct implications. The ROM package will address and promote the risk management aspects of sustainability and will be measured by the Audit Commission's Use of Resources assessment.

5.5 Crime & Disorder Implications:

There are no direct implications.

5.6 Risk and Opportunity Management Implications:

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

5.7 Corporate/Citywide Implications:

There are no direct implications.

SUPPORTING DOCUMENTATION

Appendices:

1. Improved procedure & timetable for review of Corporate Risk Register (CRR) May 10.

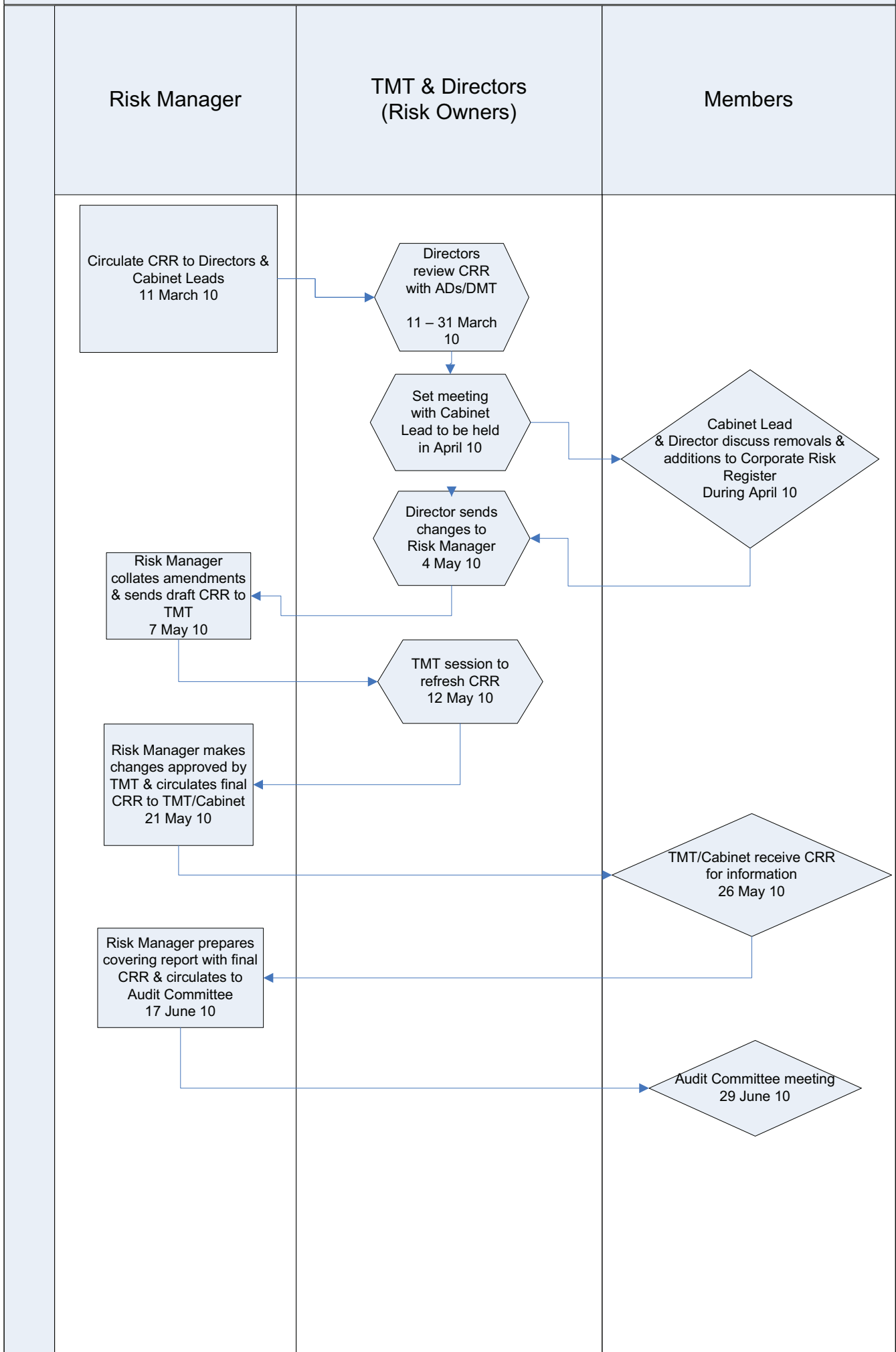
Documents in Members' Rooms:

None.

Background Documents:

1. ROM Strategy 2008-2011.
2. ROM Toolkit (I DO RM).

Timetable for review of Corporate Risk Register (CRR) May 10



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