





Brighton & Hove
City Council

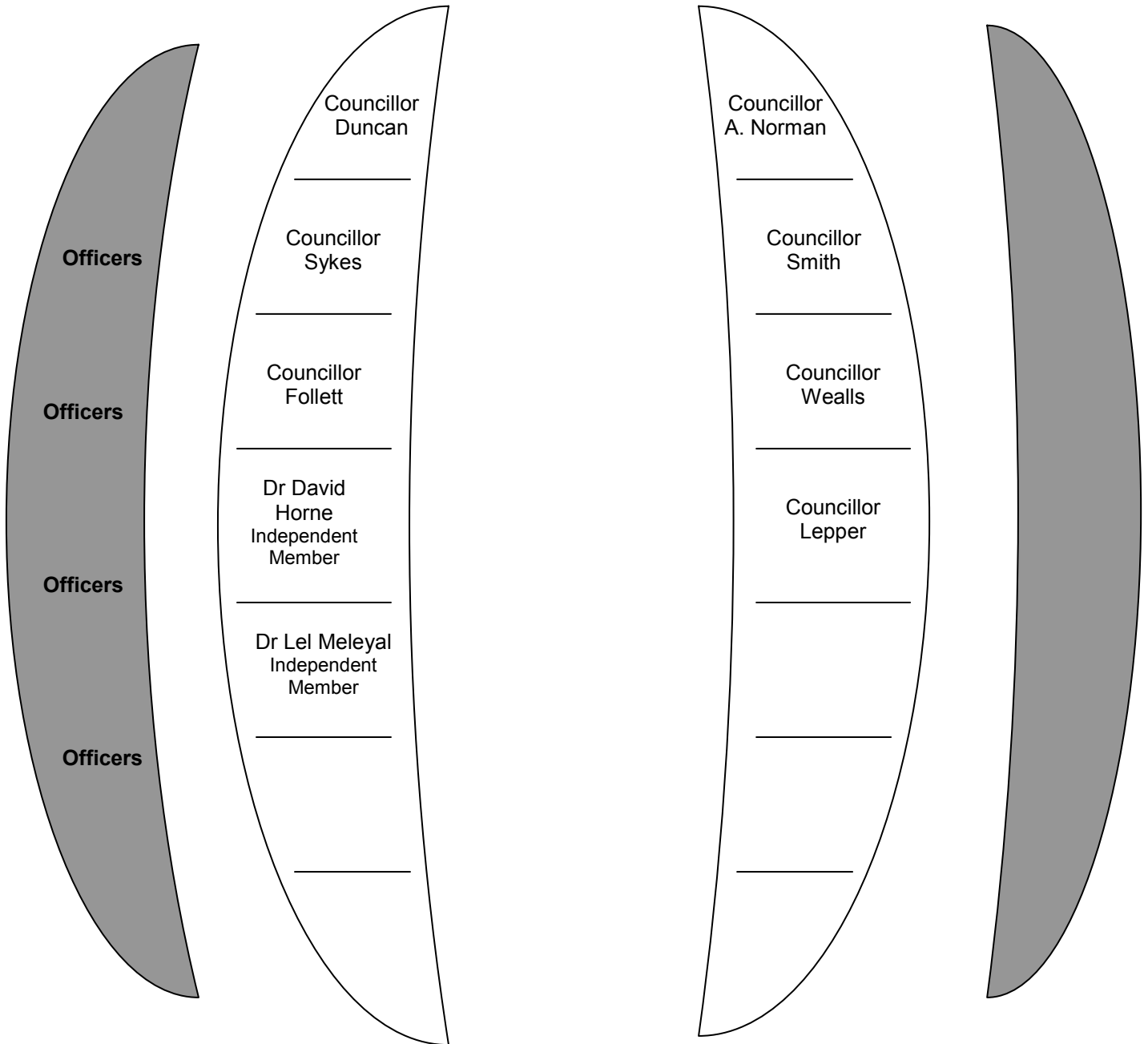
Audit & Standards Committee

Title:	Audit & Standards Committee
Date:	22 January 2013
Time:	4.00pm
Venue	Council Chamber, Hove Town Hall
Members:	Councillors: Hamilton (Chair), A Norman (Opposition Spokesperson), Duncan, Follett, Lepper, Smith, Sykes and Wealls Co-opted Members: Dr David Horne and Dr Lel Meleyal
Contact:	Ross Keatley Democratic Services Officer 01273 291064 ross.keatley@brighton-hove.gov.uk

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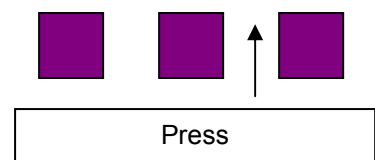
Democratic Services: Audit & Standards Committee

Head of Law	Councillor Hamilton Chair	Director of Finance	Democratic Services Officer
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Presenting Officer	Presenting Office
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Public Seating



AGENDA

61. PROCEDURAL BUSINESS

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

(b) **Declarations of Interest:**

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

In each case, you need to declare

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

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

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

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

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

62. MINUTES

1 - 6

To consider the minutes of the meeting held on 20 November 2012 (copy attached).

63. CHAIR'S COMMUNICATIONS

AUDIT & STANDARDS COMMITTEE

64. PUBLIC INVOLVEMENT

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

- (a) **Petitions:** to receive any petitions presented to the full council or at the meeting itself;
- (b) **Written Questions:** to receive any questions submitted by the due date of 12 noon on the 15 January 2013;
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 15 January 2013.

65. MEMBER INVOLVEMENT

To consider the following matters raised by councillors:

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

66. DATE OF NEXT MEETING

Proposal to move the date of the next meeting to 4 p.m. Tuesday 16 April 2013.

STANDARDS ITEMS

67. STANDARDS UPDATE

7 - 14

Report of the Monitoring Officer (copy attached).

Contact Officer: Abraham Ghebre-
Ghiorghis, Brian Foley
Ward Affected: All Wards
Tel: 29-1500, *Tel:*
291229

68. MANAGING CONFIDENTIAL INFORMATION

To Follow

Report of the Monitoring Officer (to follow).

Contact Officer: Elizabeth Culbert
Ward Affected: All Wards
Tel: 29-1515

AUDIT ITEMS

69. ERNST & YOUNG: PROGRESS REPORT 2012/13

15 - 24

Report of Ernst & Young (copy attached).

Contact Officer: Simon Mathers
Ward Affected: All Wards
Tel: 07776 493851

AUDIT & STANDARDS COMMITTEE

- 70. ERNST & YOUNG FEE LETTER 2012-13** **25 - 32**
Report of the Director of Finance (copy attached).
Contact Officer: Catherine Vaughan *Tel:* 29-1333
Ward Affected: All Wards
- 71. ERNST & YOUNG 2011/12 ANNUAL CERTIFICATION REPORT** **33 - 44**
Report of Ernst & Young (copy attached).
Contact Officer: Helen Thompson *Tel:* 023 8038 2099
Ward Affected: All Wards
- 72. ANNUAL GOVERNANCE STATEMENT 2011/12 - ACTION PLAN PROGRESS** **45 - 54**
Report of the Director Finance (copy attached).
Contact Officer: Ian Withers *Tel:* 29-1323
Ward Affected: All Wards
- 73. INTERNAL AUDIT PROGRESS REPORT 2012/13** **55 - 60**
Report of the Director of Finance (copy attached).
Contact Officer: Ian Withers *Tel:* 29-1323
Ward Affected: All Wards
- 74. DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT** **61 - 66**
Report of the Director of Finance (copy attached).
Contact Officer: Ian Withers *Tel:* 29-1323
Ward Affected: All Wards
- 75. TARGETED BUDGET MANAGEMENT (TBM) 2012/13 MONTH 7** **67 - 116**
Report of the Director of Finance (copy attached).
Contact Officer: Nigel Manvell, Jeff Coates *Tel:* 29-3104, *Tel:* 29-2364
Ward Affected: All Wards
- 76. TREASURY MANAGEMENT POLICY STATEMENT (INCORPORATING THE ANNUAL INVESTMENT STRATEGY) 2012/13 - MID YEAR REVIEW** **117 - 138**
Report of the Director of Finance (copy attached).
Contact Officer: Peter Sargent *Tel:* 29-1241
Ward Affected: All Wards

AUDIT & STANDARDS COMMITTEE

77. STRATEGIC RISK MAP FOCUS - SR10 INFORMATION GOVERNANCE MANAGEMENT 139 - 144

Report of the Director of Finance (copy attached).

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

78. STRATEGIC RISK MANAGEMENT ACTION PLAN FOCUS – SR6 SAFEGUARDING VULNERABLE MEMBERS OF OUR COMMUNITY 145 - 148

Report of the Director of Finance (copy attached).

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

79. ITEMS REFERRED FOR COUNCIL

To consider items to be submitted to the 31 January 2012 Council meeting for information.

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

PART TWO

80. PART TWO MINUTES 149 - 152

To consider the part two minutes of the meeting held on 20 November 2012 (copy attached).

81. PART TWO PROCEEDINGS

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

AUDIT & STANDARDS 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.

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

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

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

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

Date of Publication - Monday, 14 January 2013

BRIGHTON & HOVE CITY COUNCIL

AUDIT & STANDARDS COMMITTEE

4.00pm 20 NOVEMBER 2012

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chair) A Norman (Opposition Spokesperson), K Norman, Duncan, Follett, Lepper, Smith and Sykes.

Independent Persons & Co-Opted Members: Dr Horne and Dr Meleyal.

PART ONE

44. PROCEDURAL BUSINESS

44a Declarations of substitutes

44.1 There were none.

44b Declarations of interests

44.2 There were none

44c Exclusion of the press and public

44.3 In accordance with Section 100A of the Local Government Act 1972 ("the Act"), the Committee considered whether the public should be excluded from the meeting during consideration of any item of business on the grounds that it is likely in view of the business to be transacted or the nature of the proceedings, that if members of the public were present during it, there would be disclosure to them of confidential information as defined in Section 100A (3) of the Act.

44.4 **RESOLVED** - That the public are excluded from the meeting from items listed on Part 2 of the agenda.

45. MINUTES

45.1 It was noted that at page 1, paragraph 25.3 the word 'Planning' should be omitted.

45.2 **RESOLVED** – That, with the above amendment, the Chair be authorised to sign the minutes of the meeting held on 25 September 2012 as a correct record.

46. CHAIR'S COMMUNICATIONS

- 46.1 The Chair welcomed the newly appointed Independent Persons and Co-opted Members.
- 46.2 The Chair noted the recent by-election at Rottingdean Parish Council after the resignation of four Members. Officers confirmed that the new Members would have to complete and sign a Declaration of Interest Form as part of the agreed Code of Conduct shared by both the City Council and the Parish Council.
- 46.3 The Chair also noted the date of the next pre-meeting; which was agreed by attendees.

47. PUBLIC INVOLVEMENT

- 47.1 There were none.

48. MEMBER INVOLVEMENT

- 48.1 The Chair noted a deputation that had been referred to the Committee from the Council meeting on 25 October in relation to 'Exercise of Power by Elected Officials' from Mr Campbell. The deputation contained allegations in relation to potential breaches of the Code of Conduct which had now lodged with the complaints team and would be dealt with by the Monitoring Officer through Complaints Procedure.

49. COMPLAINTS UPDATE

- 49.1 The Committee considered a report of the Monitoring Officer with an update on allegations about Member conduct following the last report to the Committee on 25 September 2012; a summary of closed cases was listed at Appendix 1. The Complaints Manager also verbally updated the Committee on the Standards Panel that had been held since the publication of the agenda in relation to an allegation of a potential breach of the code by Councillor Lynda Hyde; the outcome of the Panel was that there had no breach of the code of Conduct and the reasons for this decision were outlined to the Committee. It was also highlighted that there was a right of appeal, but this had not been exercised and was due to expire at the end of the week.
- 49.2 **RESOLVED** – That the Committee note the report.

50. HR/PAYROLL SYSTEM

- 50.1 The Head of HR Strategy and Projects, Katie Ogden, gave a verbal update to the Committee and explained that there two outstanding recommendations which would be implemented by the end of the month. All the high priority recommendations had been implemented. One aspect of the complexity of the payroll at the Council had been addressed; over 800 staff had been moved from weekly to monthly payment; work had been undertaken with staff and provision had been put in place to help individuals manage this transition. There is currently a pilot on electronic entry by employees and their managers regarding monthly claims for overtime, mileage and working patterns.

and the service was preparing for the roll out of auto-enrolment into the Pension Scheme and Real Time Information to HMRC.

- 50.2 Councillor Ann Norman asked what changes had been made to address problems in relation to missed deadlines by managers for payments claims. In response it was explained that in each case a judgement would be made weighing up the amount and the potential affect on the employee; measures were also in place to issue warnings to managers and potentially charge them for late claims.
- 50.3 Dr Horne asked if there were any audit issues in relation to Payroll, and in response the Auditors highlighted that they could not comment until they commenced work on the 2012/13 accounts.
- 50.4 The Chair noted he was pleased to hear that the situation was progressing and understood the level of work that had been undertaken.

51. EXTERNAL AUDIT REPORT

- 51.1 The External Auditors, Helen Thompson and Simon Mathers, provided a verbal update and highlighted they had now transferred to Ernst & Young who would now provide the external auditing service to the Council. It was noted that they had been in post since 1 November 2012 and were pleased to report that the broad scope of their work would largely remain the same. They noted that the planning of audit risk would continue to focus on the financial resilience and finance planning of the authority. It was also noted that there would be no break in service, and some of the potential data sampling and fraud protection tools were highlighted. Members were reassured that such functionalities would form part of the agreed service.

52. AUDIT COMMISSION: ANNUAL AUDIT LETTER 2011/12

- 52.2 The Acting Director of Finance, Nigel Manvell, introduced the letter and explained it was the annual letter from the external Auditors confirming the completion of the 2011/12 audit, and the Auditors were keen that this letter be shared with the Committee.
- 52.3 **RESOLVED** – That the Committee note the contents of the letter.

53. INTERNAL AUDIT PROGRESS REPORT 2012/13

- 53.1 The Committee considered a report of the Acting Director of Finance. The report informed Members of the progress made against the Internal Audit Plan 2012/13 including the outcomes of specific audit reviews completed, agreed management actions, and Internal Audit Key Performance Indicators. It was noted that good progress was continuing to be made in the delivery of the Internal audit Plan 2012/13.
- 53.2 Councillor Sykes referenced paragraph 4.2 in the report and asked if there were any budget implications through potential out-sourcing of audit reviews, and in response the Head of Audit & Business Risk explained that this statement was designed to give assurance that any shortfall in internal resources could be met through the framework contract on a call off basis. In response to a query from the Chair, the Head of Audit &

Business Risk stated that he was confident that the plan could be completed without the need to use additional resources.

- 53.3 Following a further query from Councillor Sykes it was explained that the Council would be focusing on fraudulent subletting of council housing in the future which may also result in financial benefit to support further fraud investigation.
- 53.4 Dr Horne asked questions in relation to paragraph 8.2 on counter fraud work, and it was explained that as the Council did not explicitly budget for any level of fraud loss it was difficult to directly identify ongoing budget savings, but effective fraud prevention and detection ensures that the Council did not incur additional costs and could ultimately result in ongoing savings.
- 53.5 Councillor Ann Norman pointed to paragraph 9.3 and expressed concern that the service was 'juggling' several areas of work and asked for assurance that this would not be to the detriment of the quality of work. In response the Head of Audit & Business Risk explained that all the work was absorbed as part of the normal workload. Following a query from Councillor Ken Norman it was highlighted that any critical work would be given a higher priority.
- 53.6 **RESOLVED** - That the Committee notes the progress made in delivering the Annual Internal Audit Plan 2012/13, outcomes achieved and current arrangements going forward to 31 March 2013.

54. TARGETED BUDGET MANAGEMENT (TBM) 2012/13 MONTH 5

- 54.1 The Committee considered a report of the Acting Director of Finance on the Targeted Budget Monitoring (TBM), a key component of the Council's overall performance monitoring and control framework. The forecast outturn position was set out as of Month 5 on the Council's revenue and capital budgets for the financial year 2012/13.
- 54.2 Dr Horne noted that the report set out the position to the end of August 2012, and asked if there was any update or change on the position. The Acting Director of Finance said that he could not pre-empt the next report, but the general trend was good and the authority was expecting further improvement in the forecast over the remainder of the year.
- 54.3 Councillor Ken Norman asked for more information in relation to temporary accommodation in paragraph 3.6 of the report; in response it was explained that this was a known pressure area and there would be discussion around the 2013/14 budget setting for new framework contracts to procure lower cost accommodation.
- 54.4 **RESOLVED** – That the Committee note the report.

55. STRATEGIC RISK REGISTER UPDATE

- 55.1 The Committee considered a report of the Acting Director of Finance in relation to the Council's Strategic Risk Register. The report provided information, for the Committee to review on the Strategic Risk register which was updated by the Strategic Leadership Team on 3 October 2012.

55.2 Councillor Sykes drew attention Strategic Risk (SR) 8 'Becoming a More Sustainable City' and noted there were some controls that were highlighted in the appendix. The Risk Manager agreed to take this to risk owner for further discussion.

55.3 Councillor Duncan highlighted the risk to welfare reform and stated that he believed some mitigating measures were now in place that were not reflected in the report; in response it was explained that the document was presented as approved on 3 October and some of these measures may not have been enacted at this point, and consequently were not recorded as mitigating controls and actions (representing those that are already in place and operating to reduce/mitigate the likelihood and/or impact of the risk scenario and potential consequences).

55.4 **RESOLVED** – That the Committee note the report and the Strategic Risk Register.

56. ITEMS REFERRED FOR COUNCIL

56.1 There were none.

57. PART TWO MINUTES - EXEMPT CATEGORY 3

57.1 **RESOLVED** – That the Chair be authorised to sign the Part 2 minutes of the meeting held on 25 September 2012 as a correct record.

58. STRATEGIC RISK MANAGEMENT ACTION PLAN REPORT - EXEMPT CATEGORY 3

58.1 **RESOLVED** – That the recommendation in the Part 2 report be agreed.

59. STRATEGIC RISK MAP FOCUS – SR2 FINANCIAL OUTLOOK - EXEMPT CATEGORY 3

59.1 **RESOLVED** – That the Committee note the update.

60. PART TWO PROCEEDINGS

60.1 **RESOLVED** – That the Part 2 Items remain exempt from disclosure from the press and public.

The meeting concluded at 17.11

Signed

Chair

Dated this

day of

AUDIT & STANDARDS COMMITTEE

Agenda Item 67

Brighton & Hove City Council

Subject: Complaints Update
Date of Meeting: 22 January 2013
Report of: Monitoring Officer
Contact Officer: Name: **Brian Foley** Tel: **293109**
E-mail: brian.foley@brighton-hove.gov.uk
Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This paper updates the Audit and Standards Committee on allegations about member conduct following the last report to Audit and Standards Committee on 20 November 2012.
- 1.2 The decision notices for complaints that have been closed are set out in Appendix 1.

2. RECOMMENDATION:

- 2.1 That the Committee note the report.

3. RELEVANT BACKGROUND INFORMATION

- 3.1 The current status of Code of Conduct complaints is:

3.1.1 Open complaints

- A complaint is being investigated with regard to an allegation that a member failed to act impartially and was unprofessional when chairing a meeting.
- A complaint where a decision has been taken to seek a local resolution with regard to an allegation that two members made derisory noises whilst a member of the public read out her deputation at Full Council.
- A complaint where additional information has been sought before the Monitoring Officer can make a decision how to progress the complaint with regard to an allegation that a member was trying to manipulate public opinion

3.1.2 Closed complaints

- One complaint where a decision has been taken to not investigate regarding the decision of councillors to remove another member from their group.
- One complaint where a decision has been taken to not investigate regarding an allegation that members had been disrespectful towards a member of the public and had discriminated against that person in making a decision about a traffic order.

3.2 The timescale for dealing with individual complaints is illustrated in the chart below.

3.2.1 Complaints about Member conduct should be acknowledged as soon as possible and within a maximum of 5 working days.

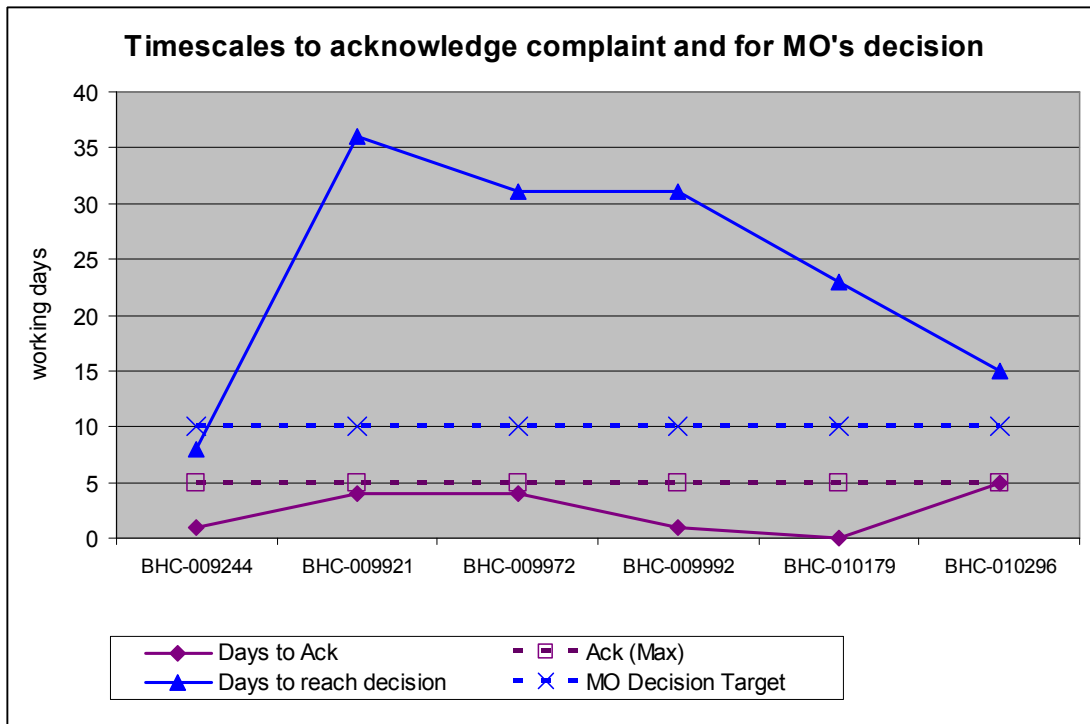
Comment: To date all complaints have been acknowledged within 5 working days.

3.2.2 The complainant will normally be informed within 10 working days how the matter will be dealt with.

Comment: It has not been possible to achieve this target to date. The Monitoring Officer has reviewed the decision process and it is anticipated that the measures taken should ensure that future decisions are reached within the 10 day timescale.

3.2.3 The whole complaint process should be completed within 65 working days from the date of receipt to date of hearing.

Comment: Since the introduction of the new procedures one investigation has been completed under transitional arrangements. This was completed in 110 working days. The time taken to introduce new working practices contributed to the delay in completing this investigation.



4. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 4.1 The costs of complaints in terms of administration and compensation awards (where appropriate) are met within the allocated budget.

Finance Officer Consulted: Anne Silley Date: 17/12/12

Legal Implications:

- 4.2 The council's arrangements under which complaints about Member conduct are investigated and decided conform with the relevant provisions of the Localism Act 2011 and local procedures agreed by Full Council in July 2012.

Lawyer Consulted: Oliver Dixon Date: 02/01/13

Equalities Implications:

- 4.3 There are no Equalities implications

Sustainability Implications:

- 4.4 There are no Sustainability implications

Crime & Disorder Implications:

- 4.5 There are no Crime and Disorder implications

Risk and Opportunity Management Implications:

- 4.6 There are no Risk and Opportunity Management implications

Corporate / Citywide Implications:

- 4.7 There are no Corporate or Citywide implications

SUPPORTING DOCUMENTATION

Appendices:

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

Documents In Members' Rooms

1. None

Background Documents

1. None

Appendix 1

Audit & Standards Case	5
S&C Reference Number	BHC-009972
Date Received	10/10/2012
Days to Acknowledge	4 days
Days for Monitoring Officer to reply	31 days
Complainant	Member of the Public
Summary of Complaint	
<p>A member of the public complained that named councillors deliberately discriminated against another councillor when they expelled that councillor from their group. The complainant alleged the councillor who was expelled had been intimidated.</p>	
Section of Code of Conduct that applies	
<p>Paragraph 5 You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or authority into disrepute.</p>	
Summary of the Monitoring Officer's decision	
<p>Under Brighton & Hove City Council arrangements for dealing with allegations of breaches of the Members' Code of Conduct I am required to consider your complaint and, after consultation with an Independent Person, take a decision as to whether it merits formal investigation.</p> <p>Having reviewed your complaint and having consulted with an Independent Person I have reached the view that the issues you have raised could not amount to a breach of the Code of Conduct.</p> <p>The decision taken to expel the councillor was taken by the Green Group within the council. The Local Government (Committees and Political Groups) Regulations 1990 give the group the power to determine who they want to be a member of the Group and to remove a Member they do not wish to belong to the Group. The rules within the party are matters for the Group itself. There was no necessarily right or necessarily wrong view about what the Group should or should not have done.</p> <p>I do not think the facts in this case are in dispute. However, even taking the facts at face value, I do not consider the decision of the Group could reasonably be treated as bringing the Council or their Office into disrepute or constitute a breach of the Code of Conduct. I have therefore decided that your complaint should not be investigated.</p>	

Just to be clear, I do not express any views about whether the decision of the Group was the right one or not. That is not a matter for me. This decision is exclusively based on whether the actions of the Group could amount to a breach of the Code of Conduct for Members and whether it is in the public interest to investigate the complaint.

Audit & Standards Case	7
S&C Reference Number	BHC-0010179
Date Received	6/11/2012
Days to Acknowledge	same day
Days for Monitoring Officer to reply	31 days
Complainant	Member of the Public
Summary of Complaint	
<p>A member of the public alleged that he had been discriminated against by councillors due to their presumption of what his political beliefs may have been and that a subsequent decisions made regarding a traffic order was unfairly coloured by their animosity towards him. He also alleged that another councillor had spoken about him in a derogatory and disrespectful manner.</p>	
Section of Code of Conduct that applies	
Paragraph 3(1) You must treat others with respect	
Summary of the Monitoring Officer's decision	
<p>Under Brighton & Hove City Council arrangements for dealing with allegations of breaches of the Members' Code of Conduct I am required to consider your complaint and, after consultation with an Independent Person, take a decision as to whether it merits formal investigation. An 'Independent Person' in this context is a person who has been appointed by the Council under the provisions of the Localism Act 2011 who is not an elected Councillor and who has no connection to the Council.</p> <p>Having carefully reviewed your complaint and having consulted with an Independent Person I have reached the view that the issues you have raised could not amount to a breach of the Code of Conduct. I have explained my reasoning for this decision below.</p> <ol style="list-style-type: none"> 1. The first element of your complaint is that a member described you as a 'Tory'. The facts of this complaint are not in question. You stated that you stood as a conservative candidate in the May 2011 elections and the member, when asked what he knew about you said that you "stood for tories in B and A Wrote me quite a threatening email." I do not think 	

this statement by the member can reasonably be described as a failure to treat you with respect. I have therefore decided that this element of your complaint should not be investigated.

2. The second element of your complaint is that the decisions of two other members (with regard to the traffic order in Western Road) were unfairly coloured by their animosity towards another party and their linking it to you. You believe you have been discriminated against on the grounds of your political beliefs.

Your complaint about the decision, and that you were discriminated against because of your political beliefs, is an issue which has previously been investigated and I do not see any advantage to be gained by reopening the issue. Therefore, I have decided it is not in the public interest to commit further resources to investigate this issue again.

3. The third element of your complaint is that a fourth member showed a degree of animus towards you in describing you as 'your favourite person' in an email to another councillor. You believe this was derogatory and showed at the very least a total lack of respect for a local resident with a legitimate cause to complain.

To refer to someone as "your favourite person", even where this may be interpreted as being said sarcastically in an email between colleagues would not meet the threshold for disrespect.

I have therefore decided that this element of your complaint should not be investigated.

4. In the final element of your complaint you state there has been a serious breach of your human rights and dignity and you quote Article 26 International Covenant on Civil and Political Rights. You state that this breach also amounts to a breach of the Members code of conduct.

Having considered this matter, I do not believe that there has been a breach of the International Convention you refer to or of the Human Rights Act. I do not therefore consider that this matter is appropriate to be investigated under the Member Code.

To be clear, my decision not to investigate your complaint is exclusively based on whether the actions of the members referred to could amount to a breach of the Council's Code of Conduct for Members, whether it is in the public interest to investigate the complaint and whether it would be proportionate in the circumstances. Having taken these into account, my conclusion is that this complaint should not be investigated.

Ernst & Young Progress Update

Date of Meeting:	22 January 2013	
Report of:	Ernst & Young	
Contact Officer:	Name: Simon Mathers	Tel: 07776 493851
	Email: SMathers@uk.ey.com	
Ward(s) affected:	All	

1. SUMMARY AND POLICY CONTEXT:

- 1.1 We would like the Committee to review the 2012/13 external audit progress update set out below and attached sector briefing.

2. RECOMMENDATIONS:

- 2.1 To consider the 2012/13 external audit progress update and attached sector update, ask questions as necessary and note the progress made.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 On 1 November audit staff in the Audit Commission's Audit Practice transferred to the firms that won contracts in ten geographical areas across England. Ernst and Young (EY) is now the appointed auditor for Brighton & Hove City Council. The contract has been awarded for five years starting in 2012/13. The scale fee for the audit has been fixed for the duration of the contract at a level 40 per cent lower than the scale fee for 2011/12. The scope of the audit, as set out in the Audit Commission's Code of Audit Practice, remains unchanged.
- 3.2 The Council's previous external auditor, the Audit Commission, presented a progress report to each meeting of the Audit & Standards Committee. EY, as the Council's new external auditor, intends to continue to present an update and sector briefing to each meeting of the Committee to provide a summary of progress made and details of any significant issues arising.
- 3.3 We welcome feedback from the Audit & Standards Committee on any improvements it would like to either the format or content of the report.

4. 2011/12 AUDIT:

- 4.1 The 2011/12 audit is now complete. We are presenting the final report from our 2011/12 programme of work, our annual report on the certification of claims and returns, to this January meeting of the Committee.

5. 2012/13 AUDIT:

Audit of the financial statements

5.1 We are about to start our work to document and walkthrough the Council's main financial systems, which is the first stage of our audit work. We have met with both finance officers and Internal Audit to discuss our approach. We are seeking to maximise reliance on financial controls operated by the Council and have liaised with Internal Audit to ensure that our work to test financial controls is properly co-ordinated and aligned to minimise any duplication of effort. We will set out significant risks and other issues impacting on our audit of the financial statements in our 2012/13 Audit Plan which we intend to present to the April meeting of the Committee.

5.2 At the last meeting of the Committee we discussed the potential to use EY's data analytics approach to support the audit of the financial statements. The Council has agreed to act as a pilot site to test the feasibility of this. The approach has the potential to provide a number of benefits to the Council:

- The entire population of data is considered rather than the traditional audit approach of testing a sample of data. This offers a greater level of assurance.
- The analysis of transaction data can help to highlight unusual trends and identify control deficiencies.
- Analysis of the entire data set allows audit to be focused on the greatest areas of risk.
- The identification and quantification of data quality issues
- The possibility of benchmarking results across audited bodies.

We are liaising with Internal Audit when conducting this work so that it is properly integrated with any data analysis work already undertaken at the Council.

5.3 The following data analytics modules have been included in the pilot approach for the Council:

- Journal entry testing.
- Accounts receivable analysis.
- Accounts payable analysis.
- Payroll analysis

Part-year data has now been obtained for all modules apart from payroll and we hope to be able to provide members with a more detailed verbal update on progress at the Committee meeting.

Value for money (VFM) conclusion

5.4 We assess whether the Council has put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the VFM conclusion.

5.5 There has been no change from 2011/12 to the two criteria on which the statutory VFM conclusion is given. They are:

- *Financial resilience* – the organisation has proper arrangements in place for securing financial resilience.
- *Securing value for money* – the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

5.6 We are planning our approach to inform the 2012/13 VFM conclusion and aim to share the precise nature of our work in this area when we present our Audit Plan to the next Committee. Key issues and risks impacting on all local government bodies include the following:

- outcomes and impact of the local government finance settlement;
- the scale of the challenge for councils to maintain services and effectiveness with reduced funding;
- changes to the arrangements for governance, scrutiny and standards arising from the Localism Act 2011;
- the impact of the Welfare Reform Act 2012;
- potential changes to local government finance from 2013/14, arising from the Local Government Finance Act 2012;
- the impact of changes to public health arrangements; and
- potential changes to the local government pension scheme.

6. EY SECTOR BRIEFING:

6.1 A short briefing of current issues and developments affecting local government is attached for Members' information.

GPS assurance

Local Government Sector

Audit committee briefing First issue introduction

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On 1 November 2012, and as part of the wider abolition of the Audit Commission, Audit Practice staff transferred to Ernst & Young, already an established professional service provider to Government and the Public sector.

The transferred public sector audit specialists now form part of Ernst & Young's national Government and Public Sector (GPS) team and their audit expertise is now supported by a rich breadth of wider support services and professional resources.

We recognise the value in strong local relationships alongside our corporate aim of delivering quality in everything we do and so are looking forward to continuing to support our local clients. The provision of regular briefings to our client Audit Committees on issues which may have an impact upon them, the wider public sector and the audits that we undertake is one of the ways that we hope you will find useful in an environment that is constantly changing and evolving.

We hope that you find this briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Local Government Sector

Government policy

Draft Local Audit Bill

On 24 October the Department for Communities and Local Government (DCLG) published the Draft Local Audit Bill: Summary of consultation responses. The document summarises the one hundred and sixty-two responses received to DCLG's consultation on the Draft Local Audit Bill.

The Draft Local Audit Bill ad-hoc Committee has published the uncorrected transcripts from the evidence sessions on 30 October and 6 November. Evidence sessions are continuing and will include representatives from firms, ACCA, CIPFA and the Financial Reporting Council.

Improving Local Government Transparency

Following publication of The Code of Recommended Practice for Local Authorities on Data Transparency, the DCLG is consulting on regulations to require local authorities to publish data in accordance with the Code. The regulations will require local authorities to publish specified data within the Code and also to publish the information in the manner and form specified by the Code.

The consultation closes on 20 December 2012. More information is available here <https://www.gov.uk/government/consultations/improving-local-government-transparency>

Dismissal of council chief executives and finance directors

Regulation 7 of The Local Authorities (Standing Orders) (England) Regulations 2001 requires an authority to appoint a 'designated independent person' to investigate proposals for disciplinary action against the chief executive, monitoring officer or chief finance officer because of misconduct, disciplinary issues or poor performance. Where appointed, the authority must pay 'reasonable remuneration' to the designated independent person.

On 9 November the Secretary of State for Communities and Local Government announced his intention to remove the requirement for councils to appoint a designated independent person. Instead the Department for Communities and Local Government (DCLG) proposes that a decision by full council is sufficient in such cases.

The DCLG plans to consult on the proposed changes to the regulations before they are made in Parliament.



Regulation and inspection

VFM profiles tool

The Audit Commission has published a redeveloped version of its VFM profiles tool, using a new software platform. The new profiles closely resemble the previous version, although users may note some formatting changes.

The councils' version of the profiles tool has been updated with 2012/13 planned expenditure data. This data comes from the revenue account data published by DCLG in July. Much of the other spending data in the VFM profiles is still based on the 2010/11 revenue outturn data. The Audit Commission expects to update the VFM profiles with the 2011/12 expenditure outturn data for local government and fire and rescue authorities in January 2013.

The VFM profile tool is available from www.audit-commission.gov.uk.

Whole of Government Accounts – 2010/11 audited accounts published

On 31 October HM Treasury published the audited Whole of Government Accounts (WGA) for the year ended 31 March 2011. The National Audit Office (NAO) has issued a qualified opinion on the accounts, highlighting a number of limitations with the WGA.

As in 2009/10 the NAO has again raised the following key issues with the WGA:

- ▶ **Definition and application of the account boundary** – although the Bank of England has been included in the 2010/11 WGA, publicly owned banks and Network Rail which, in the opinion of the Comptroller and Auditor General, are owned and controlled by government, continue to be excluded.
- ▶ **Valuation of local authority infrastructure assets** – the NAO has also qualified the accounts due to the inconsistent application of accounting policies such as the valuation basis for infrastructure assets. Infrastructure assets are currently held by local government bodies at historic cost, whereas those held by central government bodies are valued at depreciated replacement cost.
- ▶ **Lack of evidence supporting the completeness of the elimination of intra-government transactions and balances** – the NAO has identified a continuing issue with the completeness of intra-government transactions and also mismatches between the amounts reported.

Additionally for 2010/11, the NAO has qualified the WGA due to a lack of evidence supporting the completeness and valuation of schools' assets, in particular the omission of some local authority maintained schools and academies from the WGA.

CIPFA/LASAAC set out a proposed way forward on accounting for schools assets and transport infrastructure assets in its recent consultation on the 2012/13 Code update and 2013/14 Code.

The proposals for schools were based on the initial conclusions of the CIPFA/LASAAC Working Party – Accounting for Schools in Local Government. The proposed approach adapted the single entity financial statements to include the income, expenditure, asset, liabilities, reserves and cash flows of schools' governing bodies within the control of local authorities. The proposal set out that, as local authorities have the power to govern the financial and operating policies of community and community special schools, these categories of school should always be included within the Council's financial statements. For other categories of school it indicated that this change would require careful consideration on a case by case basis of the nature of control exercised by the Council.

Following responses to the consultation no changes are now proposed, although a further review and discussions with the various stakeholders is ongoing.

CIPFA/ LASACC are also separately proposing changes to transport infrastructure assets which will require Councils to account for them on a depreciated replacement cost basis from 2014/15

Action: Those Charged With Governance may wish to ask if officers responsible for preparation of the Council's financial statements are aware of the above CIPFA proposals.

Protecting the Public Purse 2012 – Audit Commission publication

On 8 November 2012, the Audit Commission published Protecting the Public Purse 2012 (PPP).

The key message from the Protecting the Public Purse report is that Local Government bodies are targeting their investigative resources more efficiently and effectively. In 2011/12:

- ▶ They detected more than 124,000 cases of fraud, with a value of £179mn
- ▶ The number and value of detected fraud cases are broadly similar to the figures we reported last year, with only a 2 to 3 per cent variation.
- ▶ Housing and council tax benefit frauds accounted for more than half of the total fraud losses detected, to a value of £117mn.
- ▶ They detected nearly £21mn of false claims for council tax discounts.
- ▶ They detected 187 cases of procurement fraud amounting to more than £8mn.

- ▶ Tenancy fraud accounts for the largest losses from fraud in local government. Research shows that:
 - ▶ An estimated 98,000 social housing homes in England are subject to housing tenancy fraud
 - ▶ Councils recovered nearly 1,800 homes from tenancy fraudsters last year, with a total replacement value of nearly £264mn
 - ▶ Most detected tenancy fraud (69 per cent) is in London, even though the capital accounts for only 27 per cent of all council housing in England
 - ▶ Councils outside London increased tenancy fraud detection by more than a quarter, reflecting their increasing commitment to tackle this fraud.
- ▶ Councils' counter-fraud professionals recognise that more needs to be done to tackle emerging fraud risks, including those relating to:
 - ▶ Business rates
 - ▶ Social Fund payments and Local Welfare Assistance
 - ▶ Right to Buy discounts
 - ▶ Local Council Tax Support
 - ▶ Schools
 - ▶ Grants

Action: Those Charged With Governance may wish to use the checklist included in the Audit Commission report to review their counter-fraud arrangements.

Care Quality Commission (CQC)

CQC are consulting on a number of proposals:

- ▶ 2013-16 CQC strategy
- ▶ Fee strategy

The second consultation looks at the long-term strategy for the Care Quality Commission's fees and the changes they propose to make to them from 1 April 2013 to 31 March 2014. Both consultations are available here: <http://www.cqc.org.uk/public/sharing-your-experience/consultations>.

OFSTED

OFSTED, the Care Quality Commission, HMI Probation, HMI Prisons, and HMI Crown Prosecution Service Inspectorate are exploring how they can best use their resources and powers as inspectorates to build an effective joint inspection framework to evaluate the multi-agency arrangements for the help and protection of children.

More information is available here: <http://www.ofsted.gov.uk/resources/development-of-joint-inspection-care-quality-commission-of-services-for-looked-after-children-and-ca>



Local Government

Finance

The Government has recently confirmed key policy decisions relating to business rates retention proposals in the recently enacted Finance Act. The Government's Policy statement can be found here: <https://www.gov.uk/government/publications/business-rates-retention-policy-statement>.

Council Tax and NNDR

CIPFA has published a useful article that explores the changes to council tax and business rates. It highlights that the changes will increase the level of instability in the forecast of resources and the interaction of both with economic growth will increase the associated risks. Local authorities will need to take all of this into account to estimate potential future business rates growth and demand for council tax support.

It suggests five key steps that every local authority should be undertaking now:

1. Understand the changes

Keeping up to date involves accessing the right information from the web and having regular conversation with those around you.

2. Finance and revenues working closely together

For example, finance teams will want to know the details held regarding business rates appeals in order to place contingencies within the budget.

3. Exploration of options

What are the options available for delivery of the scheme, how can savings be made and how can financial risk be minimised through for example, Pooling.

4. Modelling

Modelling will be an essential part of the process of decision making allowing organisations to run various simulations of how changes in funding will impact on their income streams.

5. Forecasting

The new scheme brings with it not only increased opportunity for rewards but also increased financial risk should forecasts be inaccurate.

Local Government Pension Scheme

Local Government Pension Scheme investment regulations

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the Investment Regulations) require that Local Government Pension Schemes spread funds and risks across a number of different types of investment, and sets limits on the proportion of funds that can be invested in each type of investment.

On 6 November DCLG published its consultation on proposals to amend the Investment Regulations to provide greater flexibility in partnership investments. This would allow pensions schemes greater freedoms to invest in infrastructure projects. Details can be found here: <https://www.gov.uk/government/consultations/local-government-pension-scheme-investment-in-partnerships>.

Public health

From April 2013 local authorities will have a key role in improving the health of their local population, working in partnership with clinical commissioning groups, and others, through health and wellbeing boards in their localities.

They will be responsible for commissioning and collaborating on a range of public health services and for advising the commissioners of local NHS services.

The Department of Health has published factsheets on health intelligence requirements for local authorities and the actions local areas may wish to take to support their new public health duties from an information and intelligence perspective.

More information is available here: <http://www.dh.gov.uk/health/2012/09/health-intelligence/>

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ED None

Subject: Ernst & Young Fee Letter 2012/13
Date of Meeting: 22 January 2013
Report of: Director of Finance
Contact Officer: Name: Catherine Vaughan, Tel: 29-1333
Director of Finance
E-mail: catherine.vaughan@brighton-hove.gov.uk
Wards Affected: All

FOR GENERAL RELEASE

1. Summary and Policy Context

- 1.1 The council's external auditors, Ernst & Young have presented their proposed annual fee in the letter at Appendix 1. The fee letter sets out the planned audit fee and proposed work programme.

2. Recommendations

- 2.1 Members are asked to review the fee letter and raise any questions with the external auditors.
- 2.2 Members are asked to approve the proposed fee letter.

3. Background Information

- 3.1 The work proposed by the external auditors cover three areas:
- The audit of financial statements
 - The work to reach a conclusion on the economy, efficiency and effectiveness in our resources (the value for money conclusion)
 - The work on our whole government accounts return
- 3.2 The audit fee has been set by the Audit Commission as part of the five year procurement of external audit exercise.
- 3.3 The audit fee proposed for 2012/13 is set out at the scale fee of £210,330 and for certification of grants £23,700. This is a 41% reduction on the 2011/12 fee. At this stage Ernst & Young have not identified any local risk factors to vary from the scale. The reduction arises from a number of factors. The significant slimming down of the Audit Commission means that lower costs are recoverable through audit fees and the competitive tendering process is, in its own right, likely to have made a substantial contribution. However it is important to note that there has also been a

significant reduction over a number of years in the scope of the work covered by the external audit, in particular judgements about council wide and city wide performance and individual service performance. This does mean that the council will need to rely more strongly on using its own resources to test its comparative VFM and performance levels without such access to nationally available free benchmarking information and objective independent challenge. Consideration is being given during the budget setting process to reinvesting a modest element of the saving generated by the reduced audit fees to ensure that the council retains sufficient capacity to maintain adequate internal capacity for performance challenge and benchmarking.

4. FINANCIAL & OTHER IMPLICATIONS:

4.1 Financial Implications:

The budget proposals for 2013/4 include a saving of £96k on external audit fees reflecting the predicted reduction in audit fees following the Audit Commission's externalisation and retendering exercise. The resultant budget for 2013/14 will cover the fees set out in paragraph 3.3.

Finance Officer consulted: Anne Silley
Head of Business Engagement

9th January 2013

4.2 Legal Implications:

Section 7 of the Audit Commission Act 1998 places the council under a legal duty to pay an audit fee in line with the scale of fees prescribed by the Audit Commission.

Legal Officer consulted: Oliver Dixon
Lawyer

9th January 2013

4.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

4.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

4.5 Crime & Disorder Implications:

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

4.6 Risk and Opportunity Management Implications:

There no direct implications for risk and opportunity management arising from this report.

4.7 Corporate / Citywide Implications:

As described above, the scope of the audit work has significantly reduced over recent years and therefore it is up to the council to determine for itself and fund for itself an appropriate level of capacity to ensure effective performance assessment and benchmarking.

Appendices

- 1 Ernst & Young Fee Letter 2012/13

Penny Thompson
Chief Executive
Brighton & Hove City Council
King's House
Grand Avenue
Hove
BN3 2LS

10 December 2012

Ref: HT/1213/BHCC/feeletter

Direct line: 023 8038 2099

Email: HTompson2@uk.ey.com

Dear Penny

Annual Audit Fee 2012/13

We are writing to confirm the audit work that we propose to undertake for the 2012/13 financial year at Brighton & Hove City Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and the work mandated by the Audit Commission for 2012/13. The audit fee covers the:

- ▶ Audit of the financial statements;
- ▶ Value for money conclusion; and
- ▶ Whole of Government accounts.

Our fee has been set by the Audit Commission as part of the recent 5 year procurement exercise and consequently is not liable to increase in that period without a change in scope.

Indicative audit fee

For 2012/13 the Audit Commission has set the scale fee for each audited body. The 2012/13 scale fee is based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- ▶ We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards;
- ▶ The financial statements will be available to us in line with the agreed timetable;
- ▶ Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable; and
- ▶ Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee.

The indicative audit fee set out in the table below has initially been set at the scale fee level as the overall level of risk in relation to the audit of the financial statements and value for money conclusion is not significantly different from that of the prior year.

	Indicative fee 2012/13 £	Actual fee 2011/12 £	Actual fee 2010/11 £
Total Code audit fee	210,330	350,550	389,500
Certification of claims and returns	23,700	50,030	52,845

Any additional work that we may agree to undertake (outside of the Audit Code of Practice) will be separately negotiated and agreed with you in advance.

Our audit plan for the audit of the financial statements will be issued in March 2013. This will detail the significant financial statement risks identified, planned audit procedures to respond to those risks, and any changes in fee. It will also set out the risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Finance and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit & Standards Committee.

Billing

The indicative audit fee is being billed in quarterly instalments of £58,508.

Audit team

The key members of the audit team for 2012/13 are:

Helen Thompson
Director

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Executive

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We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

Helen Thompson
Director
Ernst & Young LLP
United Kingdom

cc. Catherine Vaughan, Director of Finance
Councillor Leslie Hamilton, Chair of the Audit & Standards Committee

	Ernst & Young 2011/12 Annual Certification Report		
Date of Meeting:	22 January 2013		
Report of:	Ernst & Young		
Contact Officer:	Name:	Helen Thompson	Tel: 023 8038 2099
	Email:	HThompson2@uk.ey.com	
Ward(s) affected:	All		

1. SUMMARY AND POLICY CONTEXT:

- 1.1 Councils continue to claim large sums of public money in grants and subsidies from government departments and other grant-paying bodies, and in some areas must complete returns providing financial information to government departments. Our certification work as the Council's appointed auditor provides assurance to government departments and grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of our certification work on the Council's 2011/12 claims and returns.

2. RECOMMENDATIONS:

- 2.1 To note the 2011/12 annual certification report and ask questions as necessary.



**Brighton & Hove City Council
Annual certification report (2011/12)**

Report to those charged with governance

January 2013

Ernst & Young LLP

 **ERNST & YOUNG**

Members of the Audit & Standards Committee
Brighton & Hove City Council

January 2013

Dear Members

Annual certification report (2011/12)

We are pleased to attach our annual certification report for the forthcoming meeting of the Audit & Standards Committee. This report summarises the results of certification work that we have undertaken at the Council on 2011/12 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. Often these grant-paying bodies required certification from an appropriately qualified auditor of the claims and returns submitted to them.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to Ernst & Young as appointed auditors of the Council set out the work we must undertake before issuing our certificate. We certify grants and claims as they arise throughout the year to meet the audited claim and return submission deadlines set by the grant-paying bodies.

Statement of responsibilities of auditors and audited bodies

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

This Annual Certification Report is prepared in the context of the statement of responsibilities. It is addressed to the Audit & Standards Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Results of certification work

We certified five claims and returns in 2011/12 with a total value of £309 million.

Of the claims certified, the housing and council tax benefit claim was amended and qualified, and the pooling of housing capital receipts return was amended. Details of the qualification matter are included in section 2. The amendment to the pooling of housing capital receipts re did not affect the amount paid by the Council to the central government pool. Amendments to the housing and council tax benefit claim increased subsidy payable to the Council by £6,428.

All deadlines for submission of certified claims and returns were met.

Fees for certification work are summarised in appendix A.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Standards Committee meeting scheduled on 22 January 2013.

Yours faithfully
For and on behalf of Ernst & Young LLP

David Wilkinson
Ernst & Young LLP
United Kingdom
Enc.

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1. Summary of 2011/12 certification work

Claim or return	Certificate Instruction (CI) reference	2012/13 Claim value £000	Qualification (Q) Amendment (A) Neither (-)	Reason for issue, and financial effect.
Housing and council tax benefit scheme	BEN01	188,700	Q&A	A relatively small number of errors were found within rent rebates and council tax benefit. We asked officers to undertake additional testing in accordance with the approach required by the Department of Work and Pensions (DWP). We have used the findings of this work to determine the impact on the amount of grant due to the Council. The grant due to the Council increased by £6,428.
National non-domestic rate return	LA01	96,100	-	-
Teachers' pensions return	PEN05	13,200	-	-
Housing subsidy	HOU01	4,600 (payment by the Council)	-	-
Pooling of housing capital receipts	CFB06	6,800 (capital receipts subject to pooling)	A	Capital receipts for dwellings transferred by the Council to Seaside Community Homes Limited were not originally included in the return. Amendment of the return to correct this had no impact on the amount paid by the Council to the central government pool.

2. Qualifications in respect of 2011/12 certification work

The certificate that we issue to the grant-paying body is qualified where there is disagreement or uncertainty over an item or items in the claim/return, or the Council has not complied with the scheme terms and conditions. Details of the qualifications made during 2012/13 are provided below.

Claim/Return	Issue and risk arising	Agreed action plan
Housing benefit and council tax benefit scheme.	A small number of errors were found within rent rebates and council tax benefit. We are satisfied that the errors were not systematic or indicative of wider weaknesses in internal control.	We have fed back the detailed nature of errors to officers on an ongoing basis during the course of the audit. The Council will consider the detailed issues arising from our work in future staff training.

3. Progress on previous auditor recommendations

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

In 2010/11 the Audit Commission was unable to conclude the return was fairly stated as a whole because of the high volume of issues identified by its work and the resulting level of remaining uncertainty. It raised two specific recommendations to address the issues arising which were accepted by the Council.

There has been a significant improvement in arrangements to prepare the 2011/12 return. Specifically:

- ▶ Complete working papers were produced to support entries on the return in advance of the audit including a full reconciliation to payroll system output.
- ▶ People Centre officers had undertaken some detailed testing of claims entries prior to its submission for audit.
- ▶ Queries arising during the course of the audit were responded to promptly.

A summary of progress made in implementing recommendations made in the previous year arising from certification work.

Agreed action	Deadline	Current status
Support all disclosures in claims and returns submitted for audit with adequate working papers. Working papers should agree to the claim or return and contain enough detail to allow samples to be selected for detailed audit testing. The working papers should be produced at the same time the claim or return is completed.	With immediate effect.	Implemented.
Ensure that evidence from financial systems and other sources is obtained to support the financial year or project covered by the claim or report. Such evidence should be included as part of working papers supporting the claim or return	With immediate effect.	Implemented.

Appendix A Certification fees

Claim/Return	2011/12 Actual £	2010/11 Actual £	Explanations for variances of greater than +/- 10 per cent
Housing and council tax benefit scheme	40,321	30,940	More errors were detected in the 2011/12 return.
National non-domestic rates	5,137	1,480	Detailed testing required in 2011/12 under cyclical approach to claim risk assessment.
Teachers' pensions	3,028	5,126	Improvements in working papers and support from officers.
Housing subsidy	1,501	2,892	Less testing required in 2011/12 under cyclical approach to claims risk assessment.
Pooling of housing capital receipts	549	1,342	Less testing required in 2011/12 under cyclical approach to claims risk assessment.
Reporting and fees for other claims not requiring certification in 2011/12	1,700	11,345	Not applicable. No like-for-like comparison.
Total	52,236	53,125	

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AUDIT & STANDARDS COMMITTEE

Agenda Item 72
Brighton & Hove City Council

Subject: Annual Governance Statement 2011/12 - Action Plan Progress Update

Date of Meeting: 22nd January 2013

Report of: Director of Finance

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

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

Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Audit & Standards Committee has a responsibility for reviewing the council's corporate governance arrangements, including internal control and approving the Annual Governance Statement. The Annual Governance Statement includes an action plan for improvements to the council's governance framework and the Audit & Standards Committee should seek assurance over the effective implementation.
- 1.2 This report provides the Audit & Standards Committee with an update on the council's progress in implementing actions agreed in the Annual Governance Statement for 2011/12.

2. RECOMMENDATIONS

- 2.1 That the Audit & Standards Committee considers the Annual Governance Statement 2011/12 Action Plan at Appendix 1 and comment on any issues identified in relation to the work officers have undertaken to improve the council's corporate governance arrangements.

3. BACKGROUND INFORMATION:

- 3.1 The Annual Governance Statement for 2011/12 was approved by the Audit & Standards Committee in June 2012. The Annual Governance Statement included a number of "governance issues" and actions required.

- 3.2 The Accounts and Audit Regulations 2011 require the council to undertake a review at least annually of the effectiveness of its system of internal control and to publish the results in an Annual Governance Statement with the financial statements required by the Regulations.
- 3.3 The council has an effective process for preparing the Annual Governance Statement. This is in accordance with best practice and has been recognised by the Audit Commission.
- 3.4 The Officers Governance Board is responsible for the review and ongoing monitoring of implementation of actions. The Annual Governance Statement Action Plan is a standing agenda item for meetings of the Officers Governance Board.

4. ANNUAL GOVERNANCE ACTION PLAN

- 4.1 The Annual Governance Statement Action Plan is at Appendix 1 and shows the progress to date in implementing the agreed actions.
- 4.2 The Annual Governance Statement Action Plan includes RAG (Red (not commenced), Amber (in progress), Green (complete) status reporting, target dates and comments on progress to date.

5. CONSULTATION

- 5.1 Internal consultation has been carried out with Lead Officers identified in the Action Plan and the Officer's Governance Board.

6. FINANCIAL & OTHER IMPLICATIONS:

- 6.1 Financial Implications:

Sound corporate governance and proper systems of internal control are essential to the financial health and reputation of the council. The actions outlined to strengthen the governance arrangements, can be delivered within existing financial resources.

Finance Officer consulted: Anne Silley

9 January 2013

6.2 Legal Implications:

The Audit & Standards Committee has a duty to approve the annual statement of accounts which are accompanied by an annual governance statement. The Committee thus has a legitimate interest in the actions underway to implement the improvement action plan stemming from that Statement

Legal Officer consulted: Oliver Dixon
Lawyer

9th January 2013

6.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

6.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

6.5 Crime & Disorder Implications:

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

6.6 Risk and Opportunity Management Implications:

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

6.7 Corporate / Citywide Implications:

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

SUPPORTING DOCUMENTATION


Appendices:




1. Annual Governance Statement 2011/12 Action Plan


Background Documents




1. Annual Governance Statement 2011/12
3. Brighton & Hove City Council's Code of Corporate Governance
4. Delivering Good Governance in Local Government – Guidance notes for English Authorities (CIPFA/SOLACE 2007)
5. Accounts & Audit Regulations 2003 (Amended 2011)



Annual Governance Statement 2011-12 Action Plan (For Improvements to the City Council's Governance Framework)

No	Area/Issue	Action Item	RAG Status	By When	Update at January 2013	Lead Officer/s
1.	Partnership Working/Public Health	Review partnership and governance arrangements with Health in particular supporting the implementation of the shadow Health and Wellbeing Board, preparing for the transfer of public health functions to local government and responding to structural change in the NHS which will affect existing Section 75 agreements. (Ongoing from Annual Governance Statement 2010/11)	 Amber	End of March 2012	<p>The Clinical Commissioning Group (CCG) for Brighton & Hove has instructed a national law firm, DAC Beachcroft, to review the two existing section 75 agreements between Brighton & Hove PCT and the council. Both agreements relate to the joint commissioning of health and social care services, one for children, the other for adults.</p> <p>CCG is prepared to inherit the rights, obligations and liabilities of the PCT in respect of the children's agreement, subject to clarification of the scope of services being commissioned. However, the CCG and council do not consider the agreement in respect of adults to be fit for purpose, and Beachcroft are therefore drafting a replacement. The parties are aiming to collate the information required for the agreement by December 2012.</p>	Chief Executive, Head of Law & Democratic Services, Director of Finance

No	Area/Issue	Action Item	RAG Status	By When	Update at January 2013	Lead Officer/s
2.	Democracy	Implement the council's new constitution which includes a committee system.	 Green	End of May 2012		Head of Law & Democratic Services
3.	HR Management	Following issues raised by Internal and External Audit in relation to the Payroll System, improve controls and efficiency of processes.	 Green	End of December 2012	Internal audit review to be carried out in February 2013 and the scope will include reviewing the effectiveness of the control improvements.	Head of HR & Organisational Development
4.	Information Governance	Implement improvements to information governance arrangements in accordance with recommendations from Information Commissioner's inspection.	 Amber	End of March 2012	A continuous programme of improvement is being undertaken in the 4 key domains recommended by the ICO; 1. Corporate information governance – new framework implemented 2. Training and Awareness – a comprehensive revision of the training programme with	Head of ICT

No	Area/Issue	Action Item	RAG Status	By When	Update at January 2013	Lead Officer/s
					<p>staged implementation</p> <p>3. Information Security – gap analysis undertaken, now followed by implementation of new technologies and new ways of working</p> <p>4. Records Management – An information audit is taking place alongside the design and implementation of an information asset register and new corporate retention schedule</p>	
5.	Performance and Risk Management	Following changes to the national remit of external audit and inspection, to review processes for benchmarking performance and ensuring value for money across the Council.	 Amber	End of March 2013	A review of the Performance and Risk Management framework will be undertaken during the early part of 2013 in order to ensure that all performance reporting is fit for purpose following organisational re-structure. Use of benchmarking information has formed a key part of the budget	Head of Policy, Performance and Analysis

No	Area/Issue	Action Item	RAG Status	By When	Update at January 2013	Lead Officer/s
					preparation process for 2013/14.	
6.	Corporate Governance	Introduce effective arrangements for Neighbourhood/Community Governance in the two pilot areas identified	 Green	End of December 2012	The two pilots are currently in progress. One covering the areas Whitehawk and Bristol Estate, and the other the ward of Hollingdean and Stanmer. The pilots are scheduled to report in September 2013.	Head of Policy, Performance and Analysis
7.	Corporate Governance	Update Code of Corporate Governance to encompass changes to the Council's governance arrangements, legislation and updates to the CIPFA/SOLACE Framework and good governance guidance.	 Amber	End of March 2013	Updated guidance, Delivering Good Governance in Local Government published by CIPFA and SOLACE in December 2012. Gap analysis currently being undertaken and updating the Council's Code of Corporate Governance	Head of Audit & Business Risk
8.	Counter Fraud	In response to Fighting Fraud Locally Strategy, review the resourcing of the Council's counter fraud response, including the capacity and skills mix in both the Housing Benefits Fraud Team and the	 Amber	End of February 2013	Currently at consultation stage for merging the Housing Benefits Investigation Team into new Corporate Fraud Team in Audit & Business Risk.	Head of Audit & Business Risk

No	Area/Issue	Action Item	RAG Status	By When	Update at January 2013	Lead Officer/s
		Corporate Fraud Team.				
9.	Democracy	To make changes to the Council's governance arrangements under the Localism Act 2011 for example introducing a local ethical standards regime from 1 st July 2012.	 Green	End of July 2012		Head of Law & Democratic Services
10.	Finance	Local Government Funding Reform (i.e. Council Tax Support and Business Rates).	 Green	End of December 2012	<p>Full Council agreed the new Brighton & Hove Council tax reduction scheme in December 2012 following detailed planning and consultation, and the implementation plans are on track.</p> <p>There has been ongoing analysis of the policy and financial implications of the introduction of business rates retention and a project structure in place to oversee this.</p>	Director of Finance

AUDIT & STANDARDS COMMITTEE

Agenda Item 73

Brighton & Hove City Council

Subject: Internal Audit Progress Report 2012/13
Date of Meeting: 22nd January 2013
Report of: Director of Finance
Contact Officer: Name: Ian Withers, Head of Audit & Business Risk
Tel: 29-1323
E-mail: ian.withers@brighton-hove.gov.uk
Wards Affected: All

FOR GENERAL RELEASE

1. Summary and Policy Context

- 1.1 The purpose of this report is to inform Members of the progress made against the Internal Audit Plan 2012/13, including outcomes of specific audit reviews completed, agreed management actions and Internal Audit Key Performance Indicators.
- 1.2 The Audit & Standards Committee has a role in monitoring the activity and outcomes of internal audit work against the plan and receiving regular progress reports. Also to monitor the implementation of agreed actions to internal audit recommendations for improvement to controls and operations.
- 1.3 Good progress continues to be made in the delivery of the Internal Audit Plan 2012/13, due by the end of March 2013.

2. Recommendation

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

3. Background Information

- 3.1 The Accounts and Audit Regulations 2011 require every local authority to maintain an adequate and effective system of internal audit. Audit & Business Risk carries out the internal audit work to satisfy this legislative requirement and part of this is reporting the outcome of its work to the Audit & Standards Committee.

- 3.2 The Audit & Standards Committee has a responsibility for reviewing the Council's corporate governance arrangements, including internal control and formally approving the Annual Governance Statement. The internal audit work carried out by Audit & Business Risk is a key source of assurance that the internal control environment is operating effectively.
- 3.3 The Internal Audit Plan 2012/13 detailing the programme of audit reviews was approved by the previous Audit Committee at its meeting in April 2012.
- 3.4 The programme of audit reviews contained in the Internal Audit Plan 2012/13 is based on an assessment of risk for each system or operational area. The assessment of risk includes elements such as the level of corporate importance, materiality, service delivery/importance and sensitivity.
- 3.4 The outcome of all audit work is discussed and agreed with the lead service managers. The final reports that include agreed actions to audit recommendations made, are issued to the responsible Head of Service, Lead Commissioner or Strategic Director.

4. Progress against the Internal Audit Plan 2012/13

- 4.1 Table 1 below provides a summary of the progress made with delivering the Internal Audit Plan 2012/13. During the period 1st April to 31st December, the Internal Audit Team has commenced or completed 70 audit reviews

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

Audit Status	Explanation	No.
Not Started	Planned but not started (includes 10 short school reviews)	41
Fieldwork	In progress (Interviews, documenting, evaluating and testing of risks and controls)	25
Draft Report	Draft audit report issued and being agreed with client	11
Final Report	Audits completed and final report issued	34
		111

5. Changes to the Annual Internal Audit Plan

- 5.1 Since the Internal Audit Plan 2012/13 was approved, there have been no significant changes made.

6. Audit Reviews Completed

- 6.1 Audit reports are issued as final where their contents have been agreed with client management, in particular management actions with responsibility and timescale. The audit is then effectively closed except for the scheduled implementation review to of agreed actions.

- 6.2 Since the last progress report in November, a further nine audit reviews have been completed and final reports issued. These are shown in table 2 below which includes the overall level of assurance, number and classification of agreed management actions to audit recommendations made.

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

Audit	Assurance Level	Agreed Actions and Priority		
		High	Medium	Low
Registrars	Reasonable	0	3	0
Children’s Centres (Nursery Provision)	Reasonable	0	5	6
Public Health Transfer Arrangements	Limited	1	2	0
Transport Fleet Management	Reasonable	0	3	1
Procurement in Schools (Thematic Review)	Reasonable	0	13	0
Enforcement of Housing Estates Management	Limited	1	4	0
Business Planning	Limited	3	5	0
Data Quality	Reasonable	0	7	1
Public Sector Wide Area Network (“The Link”)	Substantial	0	1	1

- 6.3 Management actions have been agreed to the recommendations made and we will continue working with management to introduce agreed control and general service improvements, in particular where audit reviews give limited assurance.
- 6.4 The statement on the level of assurance on the effectiveness of internal controls and mitigation of risks for each audit is a professional practice requirement. Members should note that the assurance levels assigned and agreed are subjective and based on materiality and significance. They often therefore have no direct relationship with the number of agreed actions to audit recommendations made.
- 6.5 There are currently five levels of audit assurance used by the Internal Audit Team and these are summarised as follows:

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

7. Advice and Support Corporate and Service Units

- 7.1 Demand from managers continues to be high for us to provide professional proactive advice and support. This element of our work is seen as invaluable both corporately and service level, particularly in areas of change management. By taking this proactive approach, often problems and risks to the council can be avoided.
- 7.2 Recent areas of advice provided includes major projects, performance management, digital signatures, sustainability and welfare reform.

8. Counter Fraud Work

- 8.1 Since April 2012, 119 new cases of suspected irregularities have been identified and referred to Audit & Business Risk. Of these new cases, 80 related to potential housing fraud, principally illegal subletting.
- 8.2 Audit & Business Risk have continued to investigate data matches from the National Fraud Initiative (NFI) 2010 exercise which has so far identified overpayments/savings from fraud and error of £520k.
- 8.3 Data matches from the National Fraud Initiative 2012 exercise are due to be released on 29th January 2013. As part of NFI arrangements are made to ensure compliance with the Data Protection Act in the sharing of data and ensuring data subjects are notified.

9. Implementation of Agreed Audit Actions

- 9.1 When unacceptable risks are identified in audit reviews, recommendations are made and agreed actions to mitigate these through improvement of system controls.

- 9.2 Implementation reviews for agreed actions to audit recommendation made, are usually carried out within six months of the issue of the final report.
- 9.3 Since April 2012, 10 implementation reviews have been carried out on agreed management actions (38) from previous completed audit reviews.
- 9.4 The level of implementation of agreed management actions is 74% fully, 22% partial/in progress and 4% not implemented yet. Of these 96% of high priority actions have been implemented, the remaining 4% partial/in progress.

10. Performance of Internal Audit

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

Table 3: Performance against targets

Performance Indicators	Target for Year	Actual to Date
Effectiveness		
% of recommendations agreed	97%	95%
% implementation of agreed management actions	85%	74%
Efficiency		
% of productive time	71%	70%
% of draft reports issued within 10 days of fieldwork completion	90%	92%
% response by client to draft reports within 15 days	90%	86%
% of issue of final reports within 10 days of agreement	95%	93%
Quality of Service		
% of customer satisfaction feedback in very good or good	90%	95%

3

11. FINANCIAL & OTHER IMPLICATIONS:

11.1 Financial Implications:

It is expected that the Internal Audit Plan for 2012/13 will be delivered within existing budgetary resources. The net budget for internal audit services is £582k.

Finance Officer consulted: Anne Silley
 Head of Business Engagement

9th January 2013

11.2 Legal Implications:

Regulation 6 of The Accounts & Audit Regulations 2011 requires the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. It is a legitimate part of the Audit & Standards Committee's role to review the level of work completed and planned by internal audit.

Legal Officer consulted: Oliver Dixon
Lawyer

9th January 2013

11.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

11.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

11.5 Crime & Disorder Implications:

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

11.6 Risk and Opportunity Management Implications:

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

11.7 Corporate / Citywide Implications:

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

SUPPORTING DOCUMENTATION

Background Documents

1. Internal Audit Plan 2012/13
2. Code of Practice for Internal Audit in Local Government, CIPFA (2006)
3. Accounts & Audit Regulations 2011

AUDIT & STANDARDS COMMITTEE

Agenda Item 74

Brighton & Hove City Council

Subject: Delivering Good Governance in Local Government
Date of Meeting: 22nd January 2013
Report of: Director of Finance
Contact Officer: Name: **Ian Withers, Head of Audit & Business Risk** Tel: **29-1323**
E-mail: ian.withers@brighton-hove.gov.uk
Wards Affected: All

FOR GENERAL RELEASE

1. Summary and Policy Context

- 1.1 Good governance enables the Council to pursue its vision and achieve its priorities, underpinned with effective control and the management of risk.
- 1.2 The CIPFA/SOLACE Delivering Good Governance Framework was first published in 2007. New guidance on Delivering Good Governance in Local Government (the guidance) was published in late December 2012 to assist local authorities in reviewing the effectiveness of their own governance arrangements through self assessment and reference to best practice.

2. Recommendations

- 2.1 Members are asked to note the publication of the new guidance, its key contents, and actions planned by the Council to further develop and demonstrate good governance arrangements.

3. Background Information

Delivering Good Governance in Local Government Guidance Note for English Authorities (December 2012)

- 3.1 The Framework for Delivering Good Governance in Local Government (the Framework), published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in association with the Society of Local Authority Chief Executives and Senior Managers (SOLACE) in 2007, set the standard for local authority governance in England. This reflects the Good Governance Standard for Public Services (2004) which followed a number of corporate governance failures.

- 3.2 The concept underpinning the Framework is helping local government in taking responsibilities for developing and shaping an informed approach to governance, aimed at achieving the highest standards, in a measured and proportionate way.
- 3.3 The Framework was accorded ‘proper practices’ status by the Department for Communities and Local Government (DCLG) through non statutory guidance in 2007.
- 3.4 CIPFA and SOLACE reviewed the Framework during 2012 to ensure it remained ‘fit for the purpose’ and issued the Guidance in late December 2012 with the key message for local authorities to review and report on the effectiveness of their governance arrangements and meet the governance standard.
- 3.5 The Framework consists of six core principles:
- Core Principle 1** Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 - Core Principle 2** Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - Core Principle 3** Promoting values for the authority and demonstrating the values of good
 - Core Principle 4** Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - Core Principle 5** Developing the capacity and capability of members and officers to be effective
 - Core Principle 6** Engaging with local people and other stakeholders to ensure robust public accountability
- 3.6 Each core principle is underpinned by a number of supporting principles and the guidance provides examples of evidence required for the assessment.
- 3.7 The Framework is intended to assist local authorities individually in reviewing and accounting for their own approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities; there is sound decision making and clear accountability for the use of those resources, in order to achieve the desired outcomes for service users and communities.
- 3.8 The Guidance acknowledges that a ‘one-size-fits-all’ approach to governance is inappropriate as local government arrangements must be proportionate to the risks. The Guidance is therefore intended to assist local authorities individually in reviewing and accounting for their own unique approach.

- 3.9 The Guidance also recognises consequential changes in governance arrangements from local authorities changing the way they operate and undertake service provision. Public services can now be delivered directly, through partnerships, collaboration and commissioning.
- 3.10 Developments that impact on the Framework since its launch include:
- Government's commitment to increasing transparency
 - Localism Act 2011
 - Health & Social Care Act 2012
 - Revised guidance on the role of the Chief Financial Officer
 - Revised guidance on the role of the Head of Internal Audit
 - Changes to Local Authority governance structures
 - A new Local Government Fraud Strategy
- 3.11 The principles of good governance in the Framework should be reflected in Local Codes of Corporate Governance prepared and published by local authorities. These are public statements setting out the way in which each local authority will demonstrate effective corporate governance.
- 3.12 Local Codes of Corporate Governance are however non mandatory for local authorities but strongly recommended as best practice and support openness and transparency.

Annual Governance Statement

- 3.13 The Framework is used by local authorities for the assessment of governance arrangements and preparation of the Annual Governance Statement to report publically on the extent to which they comply.
- 3.14 The Accounts and Audit Regulations 2011 require all local authorities to prepare an Annual Governance Statement.
- 3.15 There has been a significant variation in the both the format, content and length of Annual Governance Statements prepared by local authorities. The Guidance addresses this by recommending a best practice.

Application of the Framework and Delivering Good Governance Guidelines at Brighton & Hove City Council and Actions

- 3.16 Since 2007, the Framework has been used by the Council for the annual assessment of governance arrangements and preparation firstly of the Statement of Internal Control and now the Annual Governance Statement.
- 3.17 With the abolition of the Audit Commission and reduction in external audit and inspection there is a greater onus and responsibility for local authorities to undertake self assessment and demonstrate effective governance arrangements.

- 3.18 The new guidelines are a welcome update and will be used for the annual assessment of governance arrangements for 2012/13. This will be reported to the Audit and Standards Committee in June 2013.
- 3.19 The current format used by the Council for the Annual Governance Statement is not dissimilar to that recommended in the Guidance and therefore only minor changes will be made.
- 3.20 The 2007 Framework is reflected in the Council's current Code of Corporate Governance. This is part of the Council's Constitution and first prepared in 2007 and updated once since, in 2009. An update was planned in 2011 but the new Guidance was then expected, although has since been delayed.
- 3.21 The Council's Code of Corporate Governance will be updated to meet the new guidance in addition to reflect changes to the way the Council operates and undertake service provision.
- 3.22 The Council's updated Code of Corporate Governance is planned to be reported to the Audit and Standards Committee in April 2013 before going to full Council for approval.
- 3.23 The updated Code of Corporate Governance will be publicised and subjected to ongoing review to ensure effective.

11. FINANCIAL & OTHER IMPLICATIONS:

11.1 Financial Implications:

Adopting the updated guidance on good governance will enable the Council to demonstrate it is managing risk, ensuring transparency and demonstrating accountability. Financial governance will continue to be monitored and reported through the Annual Governance Statement.

Finance Officer consulted: Anne Silley
Head of Business Engagement

10th January 2013

11.2 Legal Implications:

The report is for noting only. The council's current Code of Corporate Governance is set out in Part 8.11 of the constitution. Once reported to this Committee and approved by Full Council, the updated Code will supersede the version in the current constitution.

Legal Officer consulted: Oliver Dixon

10th January 2013

Lawyer

11.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

11.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

11.5 Crime & Disorder Implications:

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

11.6 Risk and Opportunity Management Implications:

There no direct implications for risk and opportunity management arising from this report.

11.7 Corporate / Citywide Implications:

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

SUPPORTING DOCUMENTATION

Background Documents

1. CIPFA/SOLACE Delivering Good Governance in Local Government Guidance Note for English Authorities (December 2012)
2. CIPFA/SOLACE Delivering Good Governance Framework (2007)
3. Good Governance Standard for Public Services (2004)
4. Accounts & Audit Regulations 2011
5. Brighton & Hove City Council Code of Corporate Governance (2009)

Subject:	Targeted Budget Management (TBM) 2012/13 Month 7		
Date of Meeting:	22 January 2012		
Report of:	Director of Finance		
Contact Officer:	Name:	Nigel Manvell	Tel: 29-3104
	Email:	nigel.manvell@brighton-hove.gov.uk	
Ward(s) affected:	All		

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

- 1.1 Targeted Budget Monitoring (TBM) reports are a key component of the council's overall performance monitoring and control framework. TBM reports are periodically presented to Policy & Resources Committee and are subsequently provided to the next available Audit & Standards Committee for information and consideration in the context of the committee's oversight role in respect of financial governance and risk management. The TBM report appended sets out the forecast outturn position as at Month 7 on the council's revenue and capital budgets for the financial year 2012/13.

2. RECOMMENDATIONS:

- 2.1 That the Committee note the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1) and the subsequent recommendations and resolution.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 Detailed in the Month 7 TBM report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1 Detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

5. FINANCIAL & OTHER IMPLICATIONS:Financial Implications:

- 5.1 None directly in relation to this report. Implications relating to TBM Month 7 are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

Legal Implications:

- 5.2 None directly in relation to this report. Implications relating to TBM Month 7 are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

Equalities Implications:

- 5.3 None directly in relation to this report. Implications relating to TBM Month 7 are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

Sustainability Implications:

- 5.4 None directly in relation to this report. Implications relating to TBM Month 7 are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

Crime & Disorder Implications:

- 5.5 None directly in relation to this report. Implications relating to TBM Month 7 are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

Risk and Opportunity Management Implications:

- 5.6 The delegated audit functions of the committee are to carry out independent scrutiny and examination of the council's financial and non-financial processes, procedures and practices to the extent that they affect the council's control environment and exposure to risk, with a view to providing assurance on their adequacy and effectiveness. This includes the council's financial management processes, of which TBM (Targeted Budget Management) is a key component. Other risk and opportunity management implications relating to TBM Month 7 are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

Public Health Implications:

- 5.7 None directly in relation to this report. Implications relating to TBM Month 7 are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

Corporate / Citywide Implications:

- 5.8 None directly in relation to this report. Implications relating to TBM Month 7 are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 None directly in relation to this report. Alternative options relating to TBM Month 7 are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 TBM reports are forwarded to the committee for review and examination in accordance with its role in reviewing the adequacy and effectiveness of the council's control environment, including financial management processes.

SUPPORTING DOCUMENTATION

Targeted Budget Management (TBM) 2012/13 Month 5 Report & Appendices:

- i. Revenue Budget Performance
- ii. Capital Budget Performance
- iii. Capital Budget Changes (New Schemes)
- iv. Value for Money Programme Performance
- v. Carbon Budgets Update.

Subject:	Targeted Budget Management (TBM) 2012/13 Month 7		
Date of Meeting:	29th November 2012		
Report of:	Director of Finance		
Contact Officer:	Name:	Jeff Coates	Tel: 29-2364
	Email:	Jeff.coates@brighton-hove.gov.uk	
Ward(s) affected:	All		

Note: The special circumstances for non-compliance with Council Procedure Rule 23, Access to Information Procedure Rule 5 and Section 100B (4) of the Local Government Act 1972 (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that some of the key financial information could not be updated in time for the agenda despatch.

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT:

1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out the forecast outturn position as at Month 7 on the council's revenue and capital budgets for the financial year 2012/13.

2 RECOMMENDATIONS:

2.1 That the Committee note the forecast outturn position for the General Fund, which is an underspend of £3.534m.

2.2 That the Committee note the forecast outturn for the Housing Revenue Account (HRA), which is an underspend of £1.045m.

2.3 That the Committee note the forecast outturn position on the capital programme.

2.4 That the Committee approve the following changes to the capital programme:

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

2.5 That the Committee agrees that Stagecoach South are paid a fixed price concessionary fares reimbursement of £495,000 for 2012/13 and for 2013/14 the sum of £495,000 plus the average increase in RPIX for the financial year 2012/13 for the reasons set out in paragraph 3.10.

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Targeted Budget Management (TBM) Reporting Framework

- 3.1 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. This is applied at all levels of the organisation from Budget Managers through to Policy & Resources Committee. Services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within a budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending together with more regular monitoring of high risk 'corporate critical' areas as detailed below.
- 3.2 The TBM report is normally split into 8 sections as follows:
- i) General Fund Revenue Budget Performance
 - ii) Housing Revenue Account (HRA) Performance
 - iii) Dedicated Schools Grant (DSG) Performance
 - iv) NHS Controlled S75 Partnership Performance
 - v) Capital Investment Programme Performance
 - vi) Capital Programme Changes
 - vii) Implications for the Medium Term Financial Strategy (MTFS)
 - viii) Comments of the Director of Finance (statutory S151 Officer)

General Fund Revenue Budget Performance (Appendix 1)

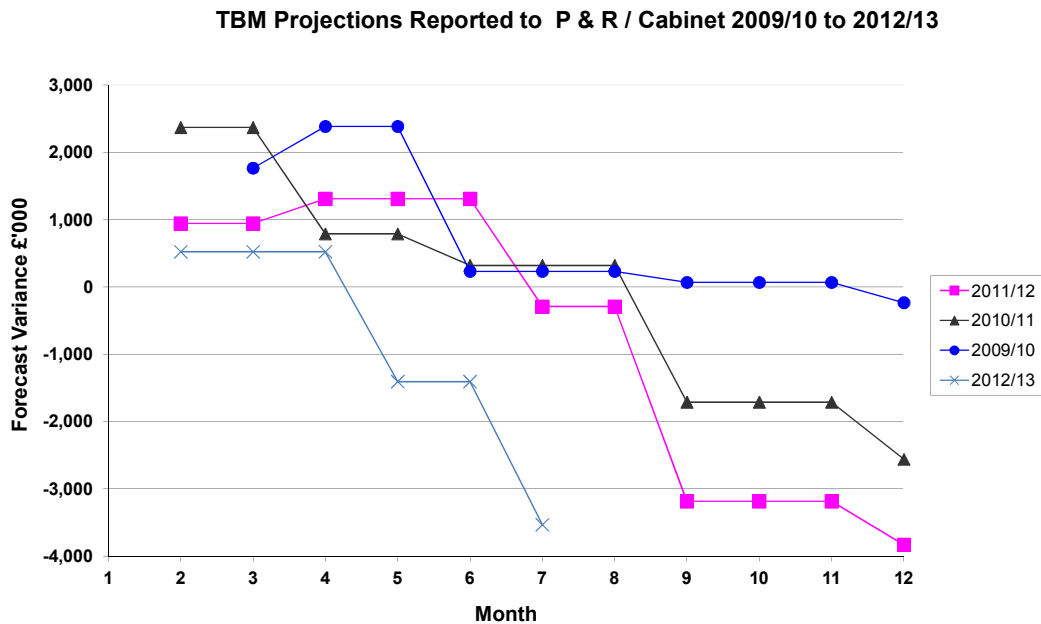
- 3.3 The table below shows the provisional outturn for Council controlled revenue budgets within the General Fund. More detailed explanation of the variances can be found in Appendix 1.

Forecast Variance Month 5 £'000	Strategic Area	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(3,509)	People	128,243	124,238	(4,005)	-3.1%
962	Place	47,096	47,916	820	1.7%
813	Communities	12,282	13,042	760	6.2%
243	Resources & Finance	39,033	38,845	(188)	-0.5%
(1,491)	Sub Total	226,654	224,041	(2,613)	-1.2%
38	Corporate Budgets	(5,171)	(6,092)	(921)	-17.8%
(1,453)	Total Council Controlled Budgets	221,483	217,949	(3,534)	-1.6%

- 3.4 The General Fund includes Commissioning Units and Service Delivery Units, which are organised under the strategic areas of People, Place and Communities. These, together with Resource & Finance Units and Corporate Budgets make up the General Fund services reported above.

Comparison with Previous Years

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



Corporate Critical Budgets

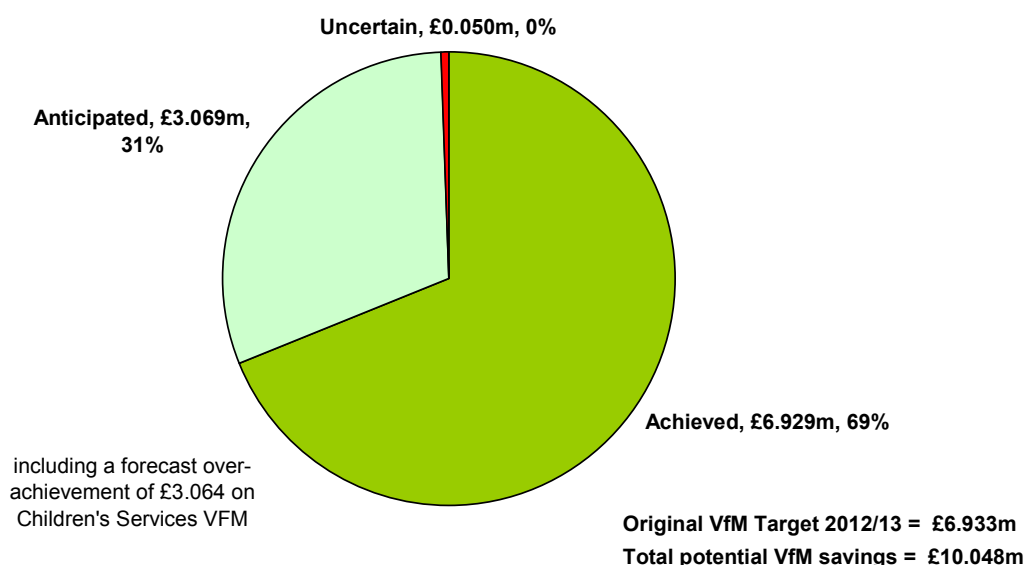
- 3.6 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict and where relatively small changes in demand can have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

Forecast Variance Month 5 £'000	Corporate Critical	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(2,490)	Child Agency & In House	22,133	19,152	(2,981)	-13.5%
(1,044)	Community Care	43,928	42,454	(1,474)	-3.4%
307	Sustainable Transport	(15,073)	(14,742)	331	2.2%
436	Temporary Accommodation	979	1,283	304	31.1%
-	Housing Benefits	(752)	(1,104)	(352)	46.8%
(2,791)	Total Council Controlled	51,215	47,043	(4,172)	-8.1%

Value for Money (VfM) Programme

- 3.7 TBM reports also provide updates on the council's Value for Money programme. The VfM programme contains a number of large, complex projects which include additional temporary resources (e.g. Project Managers) to ensure they are properly planned and implemented. Projects can have significant financial and non-financial targets attached to them and their successful implementation is therefore important to the overall financial health of the authority.
- 3.8 Some VfM projects carry significant risks and may need specialist advice or skills that can be in short supply or they may need to navigate complex procurement or legal processes. Therefore, each month the TBM report quantifies progress in terms of those savings that have been achieved, those that are anticipated to be achieved (i.e. low risk) and those that remain uncertain (i.e. higher risk). Those that are uncertain are given greatest attention and details of mitigating actions are given wherever possible.
- 3.9 Potential savings exceed the VfM target. Achievements of savings against the target represent 69% of total potential VfM savings. The level of 'uncertain' savings is minimal at £0.050m as shown in the chart below. Further information about the risks and actions relating to uncertain savings is given in Appendix 4.

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



Concessionary Fares reimbursement for 2012/13 and 2013/14

- 3.10 Stagecoach South operate bus services along the coast to the west of Brighton and Hove attracting a high number of concessionary trips. A fixed reimbursement deal of £470,000 with Stagecoach South was agreed by Cabinet for 2011/12 and discussions have now been concluded with Stagecoach South about a further fixed deal for both 2012/13 and 2013/14. Reimbursement costs calculated using the Department for Transport model are rising each year on this route because both journey numbers and fares are increasing. Based on the first 6 months of

this year journeys are up by 2.7% and the annual reimbursement using the model including eligible cost claims is forecast to be close to £500,000. It is therefore recommended that Members agree the proposed fixed deal of £495,000 for 2012/13 which will then be increased by the average increase in RPIX (retail price index excluding mortgage payments) for 2012/13 to determine level of the fixed deal for 2013/14. Assuming that RPIX remains at 3.1% for the remainder of the financial year (and it is forecast to fall) the average increase will be 3%. This is only marginally more than the current increase in journey numbers and therefore will offer the council both cost certainty and good value for money if bus fares also increase.

Housing Revenue Account Performance (Appendix 1)

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

Forecast Variance Month 5 £'000		2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
	HRA				
(661)	Expenditure	52,575	51,858	(717)	-1.4%
(59)	Income	(52,975)	(53,303)	(328)	-0.6%
(720)	Total	(400)	(1,445)	(1,045)	

NHS Controlled S75 Partnership Performance (Appendix 1)

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

Forecast Variance Month 5 £'000		2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(74)	NHS Trust managed S75 Services	13,921	13,533	(388)	-2.8%

Capital Programme Performance (Appendix 2)

3.14 Capital programme performance needs to be looked at from 4 different viewpoints as follows:

- i) **Forecast Variances:** The 'forecast' for a scheme or project indicates whether it is expected to be break-even, underspent or overspent. Information on how forecast overspends will be mitigated is given in Appendix 2. If the project is completed, any underspend or overspend will be an outturn variance. Generally, only explanations of significant forecast variances of £0.050m or greater are given.
- ii) **Variations:** These are changes to the project budget within year, requiring members' approval, and do not change future year projections. The main reason for budget variations is where capital grant or external income changes in year.
- iii) **Slippage:** This indicates whether or not a scheme or project is on schedule. Slippage of expenditure from one year into another will generally indicate overall delays to a project although some projects can 'catch up' at a later date. Some slippage is normal due to a wide variety of factors affecting capital projects however substantial amounts of slippage across a number of projects could result in the council losing capital resources (e.g. capital grants) or being unable to manage the cashflow or timing impact of later payments or related borrowing. Wherever possible, the council aims to keep slippage below 5% of the total capital programme.
- iv) **Reprofiling:** Reprofiling of expenditure from one year into another is requested by project managers when they become aware of changes or delays to implementation timetables due to reasons outside of the council's control. Reprofiling requests are checked in advance by Finance to ensure there is no impact on the council's capital resources before they are recommended to Policy & Resources.

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

Forecast Variance Month 5 £'000		2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Outturn Month 7 %
	Capital Budgets				
0	People	30,433	30,433	0	0.0%
(11)	Place	59,219	59,205	(14)	0.0%
(35)	Communities	4,119	4,084	(35)	-0.8%
0	Resources & Finance	11,743	11,743	0	0.0%
(46)	Total Capital	105,524	105,475	(49)	0.0%

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

Capital Programme Changes

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

Capital Budget Movement	2012/13 Budget £'000
Summary	
Approved Capital Budget at Month 5	107,628
Changes reported through other Committees	350
Variations to Budget (to be approved – Appendix 2)	(2,675)
Slippage (to be noted – Appendix 2)	0
New Schemes (to be approved – Appendix 3)	221
Total Capital Budget	105,524

Implications for the Medium Term Financial Strategy (MTFS)

- 3.18 The council's MTFS sets out resource assumptions and projections over a 3-year period. It is periodically updated including a major annual update which is included in the annual revenue budget report to Policy & Resources Committee and Full Council. This section highlights any potential implications for the current MTFS arising from in-year TBM monitoring above and details any changes to financial risks together with any impact on associated risk provisions, reserves and contingencies. Details of Capital Receipts and Collection Fund performance are also given below because of their potential impact on future resources.
- 3.19 Details of risk provisions currently held are given in the Corporate Budgets section of Appendix 1. The current forecast trend indicates that risk provisions are unlikely to be required in full during 2012/13. The use of one-off risk provisions of £0.784m is assumed in the forecast, with the remaining balance contributing to the reported underspend. The full recurrent risk provision of £1.000m will now be set aside in the Medium Term Financial Strategy to support the 2013/14 budget strategy and savings proposals.

Capital Receipts Performance

- 3.20 Capital receipts are used to support the capital programme. Any changes to the level of receipts during the year will impact on future years' capital programmes and may impact on the level of future investment for corporate funds and projects such as the Strategic Investment Fund, Asset Management Fund, ICT Fund and the Workstyles VFM projects. For 2012/13 £0.823m capital receipts have been received to date in connection with the disposal of 1a Major Close, the Charter Hotel at Kings Road and some minor leases. Projected receipts for the year include the Ice Rink at Queen's Square.
- 3.21 The Government receive 75% of the proceeds of 'right to buy sales'; the remaining 25% is retained by the Council and used to fund the capital

programme. The estimated net usable receipts for 'right to buy' sales in 2012/13 is £0.400m and to date £0.200m has been received.

- 3.22 The first three tranches of receipts totalling £4.807m from the housing Local Delivery Vehicle (LDV) have been received in 2012/13. A total balance of £12.904m is expected for the year. The net receipts are ring-fenced to support investment in council owned homes.

Collection Fund Performance

- 3.23 The collection fund is a separate account for transactions in relation to national non domestic rates, council tax and precept demands. Any deficit or surplus forecast on the collection fund in relation to council tax is distributed between the council, Sussex Police and East Sussex Fire Authority in proportion to the value of the respective precept on the collection fund. It is currently forecast to break even by 31st March 2013. This forecast includes the improved position of £0.162m resulting from a lower than anticipated deficit at 31st March 2012.

Comments of the Director of Finance (S151 Officer)

- 3.24 There are a small number of pressure points within the budget but the overall position for 2012/13 is very positive, primarily due to overachieved savings across Adult and Children's social care budgets. Although the deployment of some one-off risk provisions has been necessary, it is encouraging to note that the use of recurrent risk provisions has not been required. This enables the balance of these provisions to be used as one-off funding to support the very challenging 2013/14 budget.
- 3.25 The positive position does not however mean that controls should be relaxed in 2012/13. Every effort will be made to ensure overspending areas are mitigated to avoid starting 2013/14 with unresolved pressures and strict controls over vacancy management, consultancy spend and other supplies & services budgets will remain in place. Trends on key budgets in social care and housing will continue to be monitored with a view to updating potential savings and service pressures levels for 2013/14.

4 COMMUNITY ENGAGEMENT AND CONSULTATION

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

5 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: Jeff Coates

Date: 20/11/2012

Legal Implications:

- 5.2 Decisions taken in relation to the budget must enable the council to observe its legal duty to achieve best value by securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The council must also comply with its general fiduciary duties to its Council Tax payers by acting with financial prudence, and bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit Council Tax & precepts.

Equalities Implications:

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

Sustainability Implications:

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

Crime & Disorder Implications:

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

Risk and Opportunity Management Implications:

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

Public Health Implications:

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

Corporate / Citywide Implications:

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

6 EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 The provisional outturn position on council controlled budgets is an underspend of £3.534m. Any underspend at year-end would release one off resources that could be used to aid budget planning for 2013/14. Any overspend at year-end would need to be funded from general reserves which would then need to be replenished to ensure that the working balance was maintained at £9.000m.

7 REASONS FOR REPORT RECOMMENDATIONS

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

SUPPORTING DOCUMENTATION

Appendices:

1. Revenue Budget Performance
2. Capital Budget Performance
3. Capital Budget Changes (New Schemes)
4. Value for Money Programme Performance

Documents in Members' Rooms:

None.

Background Documents

None.

Appendix 1 – Revenue Budget Performance

People - Revenue Budget Summary

Forecast Variance Month 5 £'000	Unit	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(2,623)	Commissioner - Children's Youth & Families	22,370	19,129	(3,241)	-14.5%
(115)	Commissioner - Learning & Partnership	5,296	5,046	(250)	-4.7%
214	Delivery Unit - Children's & Families	35,385	35,818	433	1.2%
(2,524)	Total Children's Services	63,051	59,993	(3,058)	-4.9%
(32)	Commissioner - People	2,004	1,974	(30)	-1.5%
(1,063)	Delivery Unit - Adults Assessment	49,402	48,129	(1,273)	-2.6%
110	Delivery Unit - Adults Provider	13,786	14,142	356	2.6%
(985)	Total Adult Services	65,192	64,245	(947)	-1.5%
(3,509)	Total Revenue - People	128,243	124,238	(4,005)	-3.1%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
(3,142)	Corporate Critical - Children's Agency Placements	The current projected number of residential placements (24.54FTE) is broken down as 20.73FTE social care residential placements (children's homes), 3.45 FTE schools placements, 0.36 FTE family assessment placements and nil substance misuse rehabilitation placements. The budget allows for 25.40 FTE social care residential care placements, 9.00 FTE schools placements, 1.50 FTE family assessment placements and 0.60 FTE substance misuse rehab placements. The	<ul style="list-style-type: none"> • Although underspending in total, there are areas of pressure within Children's Agency Placement budgets. In particular, the Children's Services Value for Money (VFM) project is effectively addressing the level of activity and spend in IFAs. The plan focuses on strengthening preventive services and streamlining social care processes including: • implementing a tiered approach to the procurement of placements for looked after

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
		<p>number of projected placements are unprecedentedly low and it is not yet clear whether this level of activity is sustainable. It is currently 11.96 FTE below the budgeted level creating an underspend of £1.523m.</p> <p>The numbers of children placed in independent foster agency (IFA) placements, for the first time in several years has begun to fall. During 2011/12 there were 164.52 FTE placements representing a 13.5% increase on the previous year (following a 23% increase from 2009/10). Currently there are 190.87 projected FTE placements. This is considerably less than anticipated in the budget which is based on 206.50 placements resulting in an anticipated underspend of £1.062m.</p> <p>The current projected number of disability placements is 15.46 FTE with an average unit cost of £2,230.89. The number of placements is 2.15 FTE below the budgeted level. The average weekly cost of these placements is £76.90 lower than the budgeted level and the combination of these two factors together with a projected underspend of £0.022m on respite placements, results in an underspend of £0.343m.</p> <p>It is currently anticipated that there will be 0.95 FTE secure (welfare) placements and 0.63 FTE secure (justice) placements in 2012/2013. The budget allows for 1.25 FTE welfare and 0.75 FTE justice placements during the year. There is</p>	<p>children, reducing the proportion of high cost placements</p> <ul style="list-style-type: none"> • improving the commissioning and procurement of expert assessments in care proceedings, strengthening arrangements for early permanence planning and increasing the numbers of in house foster placements able to provide tier 1 care. • strengthening early intervention and preventive services and commissioning a transformation change programme to support the re-structuring of social work services in the Children's Delivery Unit

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
		<p>currently one child in a secure (welfare) placement and none in a secure (criminal) placement resulting in a projected underspend of £0.214m</p> <p>Included within the Month 5 projection was £0.250m relating to potential price rises following the preferred provider retendering exercise. This has now been completed and in general providers have not included significant price increases. For this reason the £0.250m provision has been removed resulting in the significant increase in the underspend compared to the previous forecast.</p> <p>Trends across all budgets are continuing to be monitored to inform and update 2013/14 budget proposals (i.e. VfM targets).</p>	
(99)	Other	Minor underspend variances	
(200)	Home to School Transport	There is an underspend of £0.200m which reflects the continued reduction in the numbers of children being transported as well as the more favourable terms of the recently renegotiated contracts.	
(50)	Other	Minor underspend variances	
Delivery Unit – Children & Families			
(4)	Social Work Teams	The Social Work Teams are currently projected to underspend by £0.004m in 2012/13.	
100	Management	There is also a potential overspend resulting from	Vacancies will be scrutinised carefully to consider

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
	& Administration Savings	the current shortfall in the Management and Admin savings target for this branch. The original target of £0.697m was subsequently reduced to £0.447m but savings identified through the Voluntary Severance Scheme and use, where appropriate, of the Dedicated Schools Grant (DSG) had left a shortfall still to be found. Since then savings of £0.050m have been identified reducing the overspend to £0.100m .	further potential opportunities to contribute to this saving as and when they arise.
77	Care Leavers	Currently the Unaccompanied Asylum Seeking Children team are projecting minimal growth in ex asylum seekers being supported resulting in an underspend of £0.149m . This underspend is offset by a projected overspend of £0.226m against the Leaving Care budget.	Costs will be monitored closely over the remaining months and efforts made to reduce costs or identify mitigating savings to bring this budget back in balance where possible. Increased activity in care leavers is linked to reductions in Looked After Children so spend in this area is supporting the VFM savings above.
(28)	Legal Fees	Legal fees are currently projected to be underspent. This is made up of £0.020m underspend on independently commissioned social work and medical assessments and £0.008m underspend for legal/court fees. The underspend on independent assessments is due to the VfM programme initiative to utilise the Clermont CPU team to undertake these assessments.	
194	Adoption Payments	The latest projection on adoption payments to out of authority providers shows a projected overspend of £0.261m based on a detailed estimate provided by the Head of Service.	Costs will be monitored closely over the remaining months and efforts made to reduce costs or identify mitigating savings to bring this budget back in balance where possible. Increased activity in this service, through a spend to save business case

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
		Other adoption payments to individuals in Brighton and Hove show an underspend of £0.067m due to a reduction in anticipated allowances.	forms part of the VFM programme so it is anticipated that resources may be switched in future years.
161	In House Foster Payments	Overspend of £0.161m predominantly relates to increase in Special Guardianship orders where 66 placements were budgeted for but current numbers are 81.	Implementing a tiered approach to the procurement of placements reducing the proportion of high cost placements as far as practicable.
(67)	Other	Minor underspend variances	
Commissioner – People			
(30)	Commissioner – People	Minor underspend variances	
Delivery Unit – Adults Assessment			
see below	Assessment Services	Assessment Services are reporting an underspend of £1.273m at Month 7 (representing 2.7% of the net budget), an increase in underspend of £0.210m since Month 5. Significant progress has already been made in meeting the 2012/13 savings target in full, albeit that some alternative savings have been identified to help offset those areas that are proving more difficult to deliver. There is a risk of £0.400m against extra care housing in particular. The underspend is split against client groups as follows:	
(763)	Corporate Critical - Community Care Budget (Older People)	Older People services are reporting an underspend of £0.763m, which is a continuation of the financial trends seen during 2011/12 and builds upon the success of reablement and other initiatives in delivering ongoing efficiencies.	
(948)	Corporate Critical -	Learning Disabilities are showing an underspend of £0.948m due mainly to the full year effect of	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
	Community Care Budget (Learning Disabilities)	management decisions taken during 2011/12 and over-achievement of financial recovery plan targets for the current financial year. The increase in the underspend since Month 5 of £0.422m relates to lower than expected growth, further delivery against the financial recovery plan and one client who has become the responsibility of another local authority, backdated to the start of the financial year, for which a full-year commitment of £0.185m had been assumed previously.	
237	Corporate Critical - Comm. Care Under 65's	Under 65's are currently showing an overspend of £0.237m. This reflects increased complexity (e.g. Acquired Brain Injury) in small numbers of high cost placements	Activity and growth projections being actively monitored. Offset by underspends against other client groups
201	Support & Intervention Teams	It is unlikely that the £0.200m savings target for the re-modelling of staffing arrangements in Assessment Services will be met in full this financial year.	Additional savings are being made against the Community Care budget.
Delivery Unit – Adults Provider			
356	Provider Services	Provider Services are reporting a pressure of £0.356m at Month 7 (representing 2.6% of the net budget). The pressure is mainly from the risks against delivery of budget strategy savings on Learning Disabilities Accommodation (£0.311m) as a result of the deferment of a decision at the June meeting of Adult Care & Health Committee; a further proposal was accepted at the September meeting of the Committee. Also, there has been a delay in developing proposals on day activities.	An implementation plan for Learning Disabilities accommodation is now in place, following agreement at September Adult Care & Health Committee. Some one off gains have been achieved. The cost as a result of the delay in implementing savings in day services has been offset for this year by the Community Care budget.

Appendix 1 – Revenue Budget Performance

Place - Revenue Budget Summary

Forecast Variance Month 5 £'000	Unit	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
80	Commissioner - City Regulation & Infrastructure	3,477	3,557	80	2.3%
374	Delivery Unit - City Infrastructure	21,948	22,440	492	2.2%
109	Delivery unit - Planning & Public Protection	5,466	5,479	13	0.2%
563	Total City Regulation & Infrastructure	30,891	31,476	585	1.9%
399	Commissioner - Housing	15,693	15,928	235	1.5%
0	Delivery Unit - Housing & Social Inclusion	512	512	0	0.0%
399	Total Housing	16,205	16,440	235	1.5%
962	Total Revenue - Place	47,096	47,916	820	1.7%

Explanation of Key Variances:

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Commissioner – City Regulation & Infrastructure			
80	Sustainable Transport	There is a pressure on the Highways and Engineering Projects Team and their ability to recharge sufficient time to capital projects to meet budget.	Efforts will continue to be made to legitimately recharge as much staff time as possible, and to try to identify underspends on non essential supplies and services.
Delivery Unit - City Infrastructure			
331	Corporate Critical – Parking Operations	There is a shortfall in the level of on street pay and display income leading to a forecast pressure of £0.700m. There has been a clear pattern of poor weather having a particularly negative impact on the on-street parking revenue. In addition a migration away from cars to bus and cycle use,	The Lanes and London Road off street car parks are forecast to achieve additional income of £0.240m. Trafalgar Street and Regency Square will underspend on their revenue maintenance budgets by £0.047m owing to the capital programme in year. Efficiencies in the removals

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		<p>and car users switching from two hour stays to one hour stays has also contributed to this. Uncertainty over the level of the contribution from NCP for the two leased car parks has lead to a forecast pressure of £0.040m.</p> <p>An extension to the period of refurbishment at Trafalgar Street and Regency Square is likely to reduce the income capacity by £0.150m, and a shortfall in the level of income at the HRA High Street car park will cause a pressure of £0.010m. A reduction in the level of Bus Lane Enforcement notices is also expected to cause a pressure of £0.100m.</p>	<p>service and enforcement contract variations will lead to expenditure savings of £0.150m. The forecast for permit income shows a surplus against budget of £0.180m, and there will be an additional underspend of £0.025m on Blue Badge permits. Vacancy management savings will contribute a further £0.027m underspend. These underspends will partially offset the risks above.</p>
151	Highways	<p>There is a pressure of £0.100m relating to the roads safety maintenance budget as the result of a wet summer. The remaining £0.051m is in respect of specialist support staff relating to North Street, and to the permit scheme for road works and closures.</p>	<p>Efforts have been made to try and identify areas where underspends can be achieved in order to offset the pressures identified.</p>
(46)	City Clean	<p>One-off staffing savings in relation to maternity leave and vacancy management .</p>	
56	City Parks	<p>Shortfall in the level of income from Roedean and Rottingdean mini golf courses (£0.040m) and grounds maintenance (£0.016m).</p>	<p>Underspends in City Clean will mainly offset the pressures in City Parks. Efforts will be made to manage staff time for the remainder of the year, to try and bring back to breakeven.</p>
Delivery Unit – Planning & Public Protection			
13	Economic Development	<p>Minor overspends.</p>	<p>Expenditure forecasts will be reviewed to determine whether there is scope to make savings elsewhere in order to bring the position back to a breakeven one.</p>

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Commissioner – Housing			
304	Corporate Critical Temporary Accommodation & Allocations	We have managed down the anticipated pressure on spot purchase accommodation from homeless households by improved prevention and tighter void management in leased properties.	This is a known service pressure area that needs to be managed in the context of the whole council budget position and considered in setting the 2013/14 budget. As a mitigating action, we will try to acquire more accommodation through the framework agreement, which is currently being put together.
73	Housing Support Services	As identified at Month 5, the increase in vulnerability of clients in hostels has meant that additional staff have been employed to manage this situation. Some of these overspends have been offset by increased income due to 7 extra rooms across the hostel service. At Month 7, further staff have been employed in Housing Support Services (costing £0.087m), which has been off set by a transfer of £0.087m from the Homelessness prevention budget, to meet the demand due to the increase in vulnerability.	This is a known service pressure area that needs to be managed in the context of the whole council budget position and considered in setting the 2013/14 budget.
(115)	Lead Commissioner	The underspend identified at Month 2 is due to over-achievement of value for money Management & Admin savings and savings against budgeted pension contributions. This underspend is being used to offset pressure against other services within Housing Commissioning.	
(27)	Other Commissioner - Housing	The pressure identified at Month 5 has been offset by efficiencies in the Housing options budgets.	

Appendix 1 – Revenue Budget Performance

Communities - Revenue Budget Summary

Forecast Variance Month 5 £'000	Unit	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
50	Commissioner - Communities & Equalities	3,428	3,478	50	1.5%
185	Community Safety	2,241	2,426	185	8.3%
0	Commissioner - Sports & Leisure	1,453	1,453	0	0.0%
30	Commissioner - Culture	2,020	2,050	30	1.5%
548	Delivery Unit - Tourism & Leisure	3,140	3,635	495	15.8%
813	Total Revenue - Communities	12,282	13,042	760	6.2%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Commissioner – Communities & Equalities			
50	Community Development	The forecast overspend is regarding match-funding for a Community and Voluntary Sector Forum led project "Transforming the Local Infrastructure"	May be offset by underspends on other commissions by year end.
Delivery Unit – Community Safety			
185	Community Safety	The forecast overspend across Community Safety is due to the unachievable savings target of £0.079m in respect of the drugs and alcohol services and other budgetary pressures for which options are being explored. The financial impact regarding the establishment of the Police and Crime Commissioners has yet to be reflected in the forecast.	Action continues to be undertaken to reduce the level of overspend including possible additional grant funding which could be applied to current projects. Any ongoing pressures will need to be reviewed and addressed as part of the overall allocation of service pressure funding and risk provisions in the 2013/14 budget.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Commissioner – Sports & Leisure			
0	Sport and Leisure	The forecast across Sport and Leisure commissioning budgets is currently break-even. Essential health and safety works have been carried out at Saltdean Lido under Urgency Powers funded from the General Fund risk provision as reported in Month 5. Options are being developed for the future of the Lido.	
Commissioner - Culture			
30	Brighton Dome Client Costs	IAs previously reported, it was anticipated that a reduction in the contractual payment to the Dome for 2012/13 could be negotiated but this has not proved possible in its entirety.	Negotiations are ongoing to review the inflationary clause within the contract for future years
Delivery Unit – Tourism & Leisure			
387	Venues	The Venues forecast overspend is mainly as a result of the immediate short term issue of the loss of 'Holiday On Ice' for January 2013 (£0.180m), realisation of the impact of low levels of bookings made prior to the refurbishment of the venue for exhibitions and conference bookers (£0.049m), reduced bookings for entertainments (£0.075m) and a pressure of £0.014m due to the loss of rooms no longer available for functions at the Hove Centre. The position has improved by £0.161m since Month 5.	Action is being taken to secure further bookings and maximise future business opportunities, this includes the one week Holiday on Ice Show in November 2012 and the three week run of Starlight Express. Conference bookings since January of this year, following completion of the refurbishment works to the Brighton Centre, currently have a future predicted economic impact of £180m far exceeding any previous booking levels. This is for bookings stretching to 2025 and is an indication of an ability to meet future targets.
58	Royal Pavilion and Museums	The overspend includes £0.070m due to delays in the development of new security staffing arrangements to achieve savings for 2012/13 and a reduced pressure of £0.097m	Work on new security staffing arrangements with staff and unions is underway. Action is being taken to

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		<p>across retail, based on the current figures. These overspends have been reduced by vacancy management savings of £0.060m, a net surplus of £0.027 income and other minor underspends of £0.022m. The development of The Keep is progressing well with completion expected by May 2013. The transfer of the archives will then take place in June 2013 and it is proposed to use the Museum Objects Acquisition Reserve to fund the associated costs of the transfer and to describe the use of this Reserve as “For the purchase of objects for the Royal Pavilion and Museums collections and for the transfer of museum objects and records to the Keep”.</p>	<p>reduce the pressure across retail. In previous years, by this point in the year the major exhibition has taken place. This year it opened in September and whilst it is hoped that the product developed for Biba will sell well, it is not possible to predict with certainty what the income levels on secondary spend will be. The previously reported energy pressure has been excluded from the forecast pending further information and clarification of usage.</p>
50	Seafront Services, Tourism & Marketing	<p>The forecast overspend has increased by £0.035m since Month 5 which is mainly due to pressures on Volks Railway regarding reduced sales of £0.030m and professional fees/development costs of £0.023m in respect of a recent bid for external funding. There is also an overspend of £0.023m for marketing and management of the seafront properties which has been offset by additional income of £0.026m from the Race Course and campsite. Income pressures across Visit Brighton are being offset by vacancy management</p>	<p>In all areas actual and forecast income and expenditure is closely reviewed and action is being taken to maximise any future business opportunities as well as reduce costs. If successful, the bid for Volks Railway will attract capital funding of £1.5m which would secure the future of the railway and provide the basis for a sustainable business operation. Income receipts for Visit Brighton are expected to increase next year when the impact of the commission based arrangements takes effect.</p>

Resources & Finance - Revenue Budget Summary

Forecast Variance Month 5 £'000	Unit	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
60	Delivery Unit - City Services	13,366	13,504	138	1.0%
0	Housing Benefit Subsidy	(752)	(1,104)	(352)	46.8%
213	Resources	20,455	20,511	56	0.3%
(30)	Finance	5,964	5,934	(30)	-0.5%
243	Total Revenue - Resources & Finance	39,033	38,845	(188)	-0.5%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Delivery Unit – City Services			
138	City Services	This primarily relates to Libraries Services following due process and engagement of staff and stakeholders in consultation which led to a later than planned implementation and additional costs relating to one community library location.	Pressures are being actively managed to minimise or reduce costs where possible.
Housing Benefit Subsidy			
(352)	Corporate Critical - Housing Benefit Subsidy	The Housing Benefit budget is expected to generate an additional £0.352m in subsidy. This is because local authority errors are now predicted to be held below the government threshold and therefore attract additional subsidy. This is a large and complex budget area and the forecast will be kept under review as new data becomes available from the Housing benefit system over the remainder of the year.	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Resources			
95	Communications	Communications are forecasting an overspend of £0.095m in 2012/13. The increase of £0.027m from Month 5 is mainly from a reduction in projected income. Additional revenue of £0.025m has been generated from external clients. Further revenue of £0.080m is expected to be generated but there are significant risks attached to this forecast. These include competitive tenders, completion of contracts before the end of the financial year and market instability in terms of the size of contracts awarded.	Savings continue to be made on communications across the council as a result of prioritising communications activities across the whole organisation. Additional revenue generation opportunities are being explored. Any revised estimates of income from the advertising & sponsorship contract (elsewhere on this agenda) will need to be reviewed and addressed as part of the overall allocation of service pressure funding and risk provisions in the 2013/14 budget.
(6)	Human Resources	Human Resources are forecasting an underspend of £0.006m as a result of continued cost monitoring and income generation. The Human Resources Systems Thinking review is in progress; the Transformation Fund will partly resource this pilot review which is being used to develop a standard methodology for wider deployment across the council. This is alongside specific direct investment required to improve service efficiency. The review is expected to inform the future resourcing requirements of the service and determine any potential savings.	
50	ICT	ICT have reduced their expected overspend from £0.115m declared at Month 5 to £0.050m. This has been achieved by continuing in-year vacancy management (9 posts currently unfilled - £0.030m), improved income collection (£0.015m) and the improved tariffs on the revised mobile phone contract which should	Costs will be closely monitored and opportunities for cost reduction and other savings will be kept under review to help balance the budget.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		deliver better savings (£0.020m). The main risk relates to delivery of the savings target for upgrading of telephony services (£0.060m) an element of which relates to the VFM programme as described in Appendix 4.	
(76)	Legal & Democratic Services	A combination of improved income forecasts and holding some posts vacant has increased the projected under spend, across the service, by £0.060m to £0.076m.	
(7)	Policy, Performance & Analysis	Minor underspend	
Finance			
(30)	Finance	A small number of vacancies and lower than expected temporary cover costs have resulted in an underspend on the staffing budget.	

Appendix 1 – Revenue Budget Performance

Corporate Budgets - Revenue Budget Summary

Forecast Variance Month 5 £'000	Unit	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(335)	Bulk Insurance Premia	3,419	3,091	(328)	-9.6%
50	Concessionary Fares	9,696	9,760	64	0.7%
350	Capital Financing Costs	8,862	9,487	625	7.1%
0	Levies & Precepts	167	167	0	0.0%
205	Corporate VfM Savings	(531)	(531)	0	0.0%
(216)	Risk Provisions	2,745	1,479	(1,266)	-46.1%
(16)	Other Corporate Items	(29,529)	(29,545)	(16)	-0.1%
38	Total Revenue - Corporate Budgets	(5,171)	(6,092)	(921)	-17.8%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Bulk Insurance Premia			
(328)	Bulk Insurance Premia	The budget for 2012/13 was increased by £0.410m to reflect the forecast increase in premium rates following an anticipated retendering exercise of some of the portfolio from 1 April 2012. In order to maximise value for money it was decided to defer the retendering so that all the council's insurance cover could be retendered at the same time from 1 April 2013. Negotiations to extend agreements with existing insurers were concluded with minimal changes in existing rates therefore the increased budget provision for this year will not be required. This underspend has been partially offset by £0.050m relating to the settlement of two trip / slip claims and £0.040m due to the increasing costs of litigated claims, particularly legal fees. It is anticipated that the	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		council will experience increasing numbers of litigated claims from “no win no fee” lawyers in the period up to April 2013 when the law is due to change. The change will mean that lawyers will no longer be able to claim success fees from the losing side and should instead receive a share of the damages awarded. The Government hopes the change will act as a disincentive to anyone bringing spurious cases.	
Concessionary Fares			
64	Concessionary Fares	A small overspend is forecast for 2012/13 in relation to the net position of increased journeys and contracted services compared to the budgeted fixed price contract. This has increased by £0.014m since Month 5 due to new routes into the city from Crawley and East Grinstead being operated since 1st September.	
Capital Financing Costs			
625	Capital Financing Costs	At Month 5 there was an anticipated £0.350m pressure on financing costs due to reduced HRA borrowing as at 31 st March 2012 compared to that anticipated at budget setting time. With effect from 1 st April 2012 HRA borrowing is separate from other council borrowing. This had resulted in a greater element of the financing costs of the authority impacting on the General Fund than anticipated. Since then the forecast overspend has increased by £0.275m. The main reason (£0.306m) for this is that the income from services paying for the costs of unsupported borrowing is less than budgeted due to schemes being reprofiled and this is only partly offset by additional investment income generated until the scheme goes ahead.	Where possible, underspends on other corporate budgets will be used to mitigate this pressure, notably Bulk Insurance Premia.
Corporate VFM Projects			
0	Corporate VFM Projects	A number of VFM projects relate to council-wide projects which will deliver savings across many, if not all, service areas. The associated savings targets are shown under Corporate Budgets awaiting allocation to individual service budgets as and when savings are identified and/or confirmed. If all savings are identified	Full details of VFM Programme performance and variances are given in Appendix 4.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		and achieved in 2012/13, the Corporate VFM Projects savings target above will reduce to zero. Currently, it is anticipated that this will be the case.	
Risk Provisions			
(1266)	Risk Provisions & contingency	<p>There is a one-off risk provision of £1.000m and it is forecast that £0.216m of this can be released to support the overall position. This is after providing £0.784m for the following:</p> <ul style="list-style-type: none"> • maintenance work at Saltdean Lido undertaken under urgency powers. This totals £0.130m of which £0.030m relates to capital expenditure and is included in Appendix 3; • implementation of Information Commissioner’s Office (ICO) recommendations; • additional legal costs for intellectual property rights; • support for school bus routes; • other one-off pressures that might arise during the year. <p>There is a permanent (recurrent) risk provision of £1.000m which is now being released to provide one-off resources to support the overall position together with £0.050m of unspent contingency budget. The level of the recurrent risk provision will be reviewed for 2013/14 as part of the February budget report.</p> <p>There is also a permanent risk provision of £0.785m for pay related matters. Subject to approval, some of this will be allocated for Living Wage requirements (elsewhere on this agenda) and the balance will be transferred to the Single Status provision.</p>	
Other Corporate Items			
(16)	Corporate Unringfenced Grants	Additional income relating to the Learning Disabilities & Health Reform Grant.	

Appendix 1 – Revenue Budget Performance

Housing Revenue Account - Revenue Budget Summary

Forecast Variance Month 5 £'000		2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
	Housing Revenue Account				
(230)	Employees	8,518	8,121	(397)	-4.7%
(299)	Premises – Repair	10,645	10,280	(365)	-3.4%
(77)	Premises – Other	3,442	3,296	(146)	-4.2%
(26)	Transport & Supplies	2,073	1,907	(166)	-8.0%
(32)	Support Services	1,981	1,927	(54)	-2.7%
3	Third Party Payments	55	66	11	20.0%
-	Revenue contribution to capital	18,642	19,042	400	2.1%
-	Capital Financing Costs	7,219	7,219	-	0.0%
(661)	Net Expenditure	52,575	51,858	(717)	-1.4%
(24)	Dwelling Rents (net)	(46,702)	(46,860)	(158)	-0.3%
38	Other rent	(1,246)	(1,256)	(10)	-0.8%
(92)	Service Charges	(4,152)	(4,342)	(190)	-4.6%
(19)	Supporting People	(465)	(484)	(19)	-4.1%
38	Other recharges & interest	(410)	(361)	49	12.0%
(59)	Net Income	(52,975)	(53,303)	(328)	-0.6%
(720)	Total	(400)	(1,445)	(1,045)	

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Housing Revenue Account			
(397)	Employees	This relates to vacancies throughout the service while recruitment to the new Housing and Social Inclusion structure was being finalised. It also includes underspends on pension costs as fewer staff than budgeted are members of the pension scheme.	
(365)	Premises Repairs	This underspend is made up from the following major variances: Responsive repairs are forecast to underspend by £0.200m due to the continuation of the policy implemented last year to review responsive repairs within the context of the replacement programme, resulting in lower than expected values and numbers of responsive repairs. There is also a further underspend on the costs of gas servicing of £0.104m as a result of re-basing of the open book contract after the budget was set. Works to empty properties is also underspent by £0.138m as a result of fewer properties than budgeted becoming empty. These underspends are partly off-set by an overspend on asbestos works of £0.080m.	
(146)	Premises - other	There is a £0.054m underspend on premises costs relating to the housing centre due to uncertainties of the operating costs at budget setting time; a further underspend of £0.050m on electricity costs and £0.020m on council tax payments due to fewer empty properties than expected. The forecast also includes an anticipated £0.027m underspend for decorating vouchers.	
(166)	Transport and Supplies	This underspend is made up of a number of major variances, namely: £0.050m for professional fees no longer required in this financial year due to the changing or delay of projects and more utilisation of in-house staff. There are also forecast underspends on computer hardware; legal fees for leaseholder tribunals as well as vehicle costs as a result of the new vehicles being purchased. There are many other small underspends on transport and supplies throughout the service. These underspends are off-set by £0.078m additional expenditure on the financial inclusion	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		project which aims to procure a money advice service for residents. This expenditure was approved as part of the 2012/13 budget process to be funded out of earmarked reserves but has now been funded by these underspends.	
400	Revenue Contribution to Capital Outlay	This relates to an additional contribution to capital investment using revenue underspends to fund further investment in disabled adaptations for Council tenants.	This overspend is being funded by other underspends within the HRA.
(158)	Dwellings Rents	Rental income is forecast to over recover by £0.158m due to a reduction in the number of long term empty properties now that many have been transferred to Seaside Community Homes.	
(190)	Service Charge Income	Service Charge income from leaseholders is forecast to over-recover by £0.280m due in the main to an unexpected increase in the 2011/12 repairs service charge for leaseholders (billed in 12/13) due to more repairs works being carried out to leaseholders' properties during the last financial year. This is off-set by small amounts of under-recovery from various service charges totalling £0.097m caused in part by the transfer of properties to Seaside Homes which was difficult to predict at budget setting time.	

Dedicated Schools Grant - Revenue Budget Summary

2012/13 Variance Month 6 £'000	Dedicated Schools Grant (DSG)	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
0	Individual School Budgets (ISB) <i>(This does not include the £6.380m school carry forwards from 2011/12)</i>	126,753	126,753	0	0%
0	Private, Voluntary & Independent (PVI) <i>(Early Years 3 & 4 year old funding for the 15 hours free entitlement)</i>	7,001	7,031	30	0.4%
(143)	Central Schools Budget <i>(This includes £1.168m central carry forward from 2011/12)</i>	16,416	16,251	(165)	1.0%
0	Grant income	(149,002)	(149,002)	0	0%
(143)	Total DSG	1,168	1,033	(135)	-11.6%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Central Schools Budget			
(120)	Educational Agency Placements	At budget setting time it was estimated that there would be 61 FTE placements. The current number of placements is 62 but due to favourable changes in placement costs there is an underspend.	
(48)	Education of Looked After Children	Costs being lower than anticipated.	
(40)	Recoupment	Costs being lower than anticipated.	
73	Various	Other minor overspends including payments for Early Years Free Entitlement funding for 3 & 4 Year Olds of £0.030m.	

NHS Trust Managed S75 Budgets - Revenue Budget Summary

Forecast Variance Month 5 £'000	Unit	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(121)	Sussex Partnership Foundation NHS Trust (SPFT)	11,485	11,074	(411)	-3.6%
47	Sussex Community NHS Trust (SCT)	2,436	2,459	23	0.9%
(74)	Total Revenue - S75	13,921	13,533	(388)	-2.8%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note WTE = Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Sussex Partnership Foundation NHS Trust			
(411)	SPFT	Sussex Partnership Foundation NHS Trust (SPFT) are reporting an underspend of £0.411m at Month 7. The budget strategy savings target of £0.326m has already been achieved. On top of this, savings of £0.202m have been achieved against the mainstream budget from robust vacancy management and tight budgetary control and a further £0.154m from the community care budget as a result of increased funding through the assessment process and robust review of all placements. There continue to be pressures against the Adult Mental Health Community Care budget from a lack of suitable accommodation, which has been highlighted as part of the budget process for 2013/14. In line with the agreed risk-share arrangements for 2012/13 any overspend or underspend will be shared 50/50 between SPFT and BHCC.	
Sussex Community NHS Trust			
23	SCT	Sussex Community NHS Trust (SCT) are reporting an overspend of £0.023m. The HIV budget is underspent and is a continuation of the position from 2011/12. There are significant staffing pressures against Intermediate Care services where a process has been put in place to manage this position.	The position will be closely monitored and reviewed over the remainder of the financial year.

Appendix 2 – Capital Programme Performance

People – Capital Budget Summary

Forecast Variance Month 5 £'000	Unit	2012/13 Revised Budget £'000	Approved at other Meetings £'000	New Schemes Appendix 3 £'000	Variation, Slippage or reprofile £'000	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
0	Commissioner - Learning & Partnership	28,425	350	41	0	28,816	28,816	0	0.0%
0	Delivery Unit - Children's & Families	410	0	0	0	410	410	0	0.0%
0	Total Children's Services	28,835	350	41	0	29,226	29,226	0	0.0%
0	Commissioner - Adult Services	347	0	0	0	347	347	0	0.0%
0	Delivery Unit - Adults Provider	601	0	0	0	601	601	0	0.0%
0	Delivery Unit - Adults Assessment	269	0	0	0	269	269	0	0.0%
0	Total Adult Services	1,217	0	0	0	1,217	1,217	0	0.0%
0	Total People	30,052	350	41	0	30,443	30,443	0	0.0%

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

Detail Type	£'000	Project	Description	Mitigation Strategy
			No Variations reported	

Appendix 2 – Capital Programme Performance

Place – Capital Budget Summary

Forecast Outturn Month 5 £'000	Unit	2012/13 Revised Budget £'000	Reported At other Meetings £'000	New Schemes Appendix 3 £'000	Variation, Slippage Or reprofile £'000	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
0	Commissioner - City Regulation & Infrastructure	7,969	0	0	0	7,969	7,969	0	0.0%
0	Delivery Unit - City Infrastructure	8,814	0	0	(10)	8,804	8,804	0	0.0%
0	Delivery Unit – Planning, Public Protection	18	0	0	0	18	18	0	0.0%
0	Commissioner - Major Projects	816	0	0	250	1,066	1,066	0	0.0%
0	Total City Regulation & Infrastructure	17,617	0	0	240	17,857	17,857	0	0.0%
0	Commissioner - Housing	7,010	0	0	0	7,010	7,010	0	0.0%
(11)	Delivery Unit - Housing & Social Inclusion (HRA Capital)	36,702	0	0	(2,350)	34,352	34,338	(14)	0.0%
(11)	Total Housing	43,712	0	0	(2,350)	41,362	41,348	(14)	0.0%
(11)	Total Place	61,329	0	0	(2,110)	59,219	59,205	(14)	0.0%

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

Detail Type	£'000	Project	Description	Mitigation Strategy
Delivery Unit – City Infrastructure				
Reprofile	(10)	The Level Playing Ground	A revision in the profile of spend is requested of (£0.010m) into next year for the Level playing ground which is part of the works being completed at the Level.	

Appendix 2 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
Commissioner – Major Projects				
Variation	250	Major Projects	Within the Capital Resources & Capital Investment Programme 2012/13 report approved at Budget Council was a proposal to allocate £0.250m to support the delivery of major projects. This was subject to further notification of which schemes the allocation would be supporting. A project update was reported to the Economic Development & Culture Committee on 15 November 2012 and this financial support is for the legal fees, specialist advisers for finance, design, architectural, transport, engineering and other external specialists for the schemes included in the update.	
Delivery Unit – Housing & Social Inclusion (HRA Capital)				
Reprofile	(204)	Housing ICT programme - IDOX	The back-scanning of all tenancy files for Housing Offices is an ongoing project. So far 2 offices have been completed (Lavender Street and Manor Place), another office is in progress and 2 more are due to be started. Files at the Housing Centre also require scanning. This is a long term project, which will take around 18 months to complete.	Estimating the time to scan different files is difficult due to variable contents and case histories. This is likely to continue to impact on the projected time scales of the project as it progresses.
Reprofile	(1,088)	Cladding	The projects in the North Whitehawk high rise blocks, Hereford Court and Essex Place are not expected to progress as previously anticipated in this financial year. This is due to the original plan underestimating the time taken to specify, price and consult with stakeholders. The additional time taken to review prices has resulted in significant savings in the cost of these major projects. In some cases the council is undertaking additional non-statutory consultation to ensure that these projects fully meet residents' expectations.	Tenants and other stakeholders are being given regular updates. The projects are being closely monitored through a monthly Major Capital Works group.
Reprofile	(33)	Cyclical Decoration & Repairs (£0.017m) Roofing	The Project at Park Royal is taking longer than initially expected to get to site. This is due to additional time being required to ensure value for money and consultation with leaseholders and other stakeholders. Leaseholder consultation is anticipated to end in November 2012.	Tenants and other stakeholders are being given regular updates. The projects are being closely monitored through a monthly Major Capital Works group.

Appendix 2 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
		(£0.016m)		
Reprofile	(369)	Structural Repairs	The projects in the North Whitehawk high rise blocks, Nettleton & Dudeney Court and St James's House are not expected to progress as previously anticipated in this financial year. This is due to the original plan underestimating the time taken to specify, price and consult with stakeholders. The additional time taken to review prices has however resulted in significant savings in the cost of this major project.	Tenants and other stakeholders are being given regular updates. The projects are being closely monitored through a monthly Major Capital Works group.
Reprofile	(549)	Windows	The projects in the North Whitehawk high rise blocks, Hereford Court and Essex Place are not expected to progress as previously anticipated in this financial year. This is due to the original plan underestimating the time taken to specify, price and consult with stakeholders. As above the additional time spent consulting with stakeholders and reviewing prices will deliver better value for money for the council and residents.	Tenants and other stakeholders are being given regular updates. The projects are being closely monitored through a monthly Major Capital Works group
Reprofile	(125)	Fire safety Capital	The project to provide safe spaces for storage and charging of scooters have taken longer than previous thought due to the time required for consultation and agreement on the specifications of what was required. Ensuring that the needs of residents are met and that the project complies with fire safety regulations can be complex and extensive planning is needed to successfully complete these projects.	Further consultation & specifying of jobs will continue in 2012/2013 with works to start early in 2013/2014.
Reprofile	(97)	Redevelopment of HRA vacant garage sites	It was reported at Month 5 that the timetable for taking the garage site scheme development forward will result in £0.900m of the £1.300m 2012/13 capital programme budget for these sites being spent in the new financial year. A review of the Procurement requirements results in a further reprofile of expenditure of £0.097m to 2013/14.	Ensure all procurement and stakeholder engagements documents are prepared in advance to ensure a smooth pre and post procurement process.
Reprofile	(285)	Feasibility and Design for Investment on Housing Land	Following on from this scheme's approval at Housing Committee on 26th September, the original estimated profile of spend of £0.350m in 2012/13 and £0.650m in 2013/14 has been revised with the majority of expenditure now taking place in 2013/14.	Ensure all procurement and stakeholder engagements documents are prepared in advance to ensure a smooth pre and post procurement process

Appendix 2 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			<p>This is due to resource requirements and the need for a full and extensive procurement process which will result in the bulk of the spend being made in 2013/14.</p>	
Variation	400	Housing Disabled Adaptations (HRA)	<p>The capital programme budget for council housing adaptations is £0.850m per annum. Additional budget of £0.400m for 2012/13 is required due to a rise in demand, a speeded up and simplified referral and assessment process, the joint work with decent homes, the stock age/condition profile coupled with demographic trends and the focus on people living as independently as possible for as long as possible.</p> <p>This additional budget is required to meet assessed need, and in addition to the pro-active work being undertaken to pro-actively manage demand for adaptations through a housing options approach - as an alternative to costly/disruptive adaptations - and best use of other mainstream capital budgets including Decent Homes and the Relief of Overcrowding project.</p> <p>The increased budget requirement will be funded from HRA revenue budget 2012/13 underspends through increased contributions to the capital programme.</p> <p>The demand for this budget will continue and the current annual budget allocation will be reviewed as part of the council's 3 year Capital Programme Strategy for 2013/14 to 2015/16.</p>	
Forecast Variance	(100)	Door Entry Systems	<p>A capital budget of approximately £0.500m was identified for 2012/13. Whilst some significant projects have moved forward and door entry systems are being renewed in key areas, the overall term contract covering this work area is not yet in place. An event has been held with potential suppliers in order to build understanding of the market and ensure that the long</p>	

Appendix 2 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			<p>term contract is the best value for money solution for the council and this contract will commence in 2013/14.</p> <p>A total budget of £0.382m will be required for the works programmed this year, the remaining £0.100m is now being reported as an underspend.</p>	
Forecast Variance	167	TV Aerials	<p>Following-on from the successful digital aerial installation programme, we plan to undertake a clean-up operation to remove and tidy-up any existing and redundant cabling, aerials & satellite dishes from our blocks. This will address the frequent enquiries we have received from residents about loose cabling affecting their block and will ensure the integrity of the cladding is not compromised. There are also additional benefits to this programme such as enhancing the appearance of our blocks across the City and will increase the overall value of our property portfolio.</p> <p>This project will be funded from other reported HRA Capital Programme underspends.</p>	
Forecast Variance	(61)	Energy Efficiency – Leach & Patching Boiler	<p>Works have been fully completed under last year's budget and therefore there will be no further spend this year.</p>	
Forecast Variance	(20)	Various	<p>Minor underspends on various projects</p>	

Appendix 2 – Capital Programme Performance

Communities - Capital Budget Summary

Forecast Outturn Month 5 £'000	Unit	2012/13 Revised Budget £'000	Reported at other Meetings £'000	New Schemes Appendix 3 £'000	Variation, Slippage or reprofile £'000	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(35)	Commissioner - Sports & Leisure	628	0	180	0	808	773	(35)	-4.3%
0	Delivery Unit - Tourism & Leisure	3,311	0	0	0	3,311	3,311	0	0.0%
(35)	Total Capital Communities	3,939	0	180	0	4,119	4,084	(35)	-0.8%

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

Detail Type	£'000	Project	Description	Mitigation Strategy
Commissioner – Sports & Leisure				
Forecast variance	(35)	Stanley Deason all weather track	As reported at Month 5 tenders have now been received and the cost of the project is £0.035m less than expected.	

Appendix 2 – Capital Programme Performance

Resources & Finance - Capital Budget Summary

Forecast Variance Month 5 £'000	Unit	2012/13 Revised Budget £'000	Approved at other Meetings £'000	New Schemes Appendix 3 £'000	Variation, Slippage or reprofile £'000	2012/13 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
0	Delivery Unit - City Services	2,380	0	0	(400)	1,980	1,980	0	0.0%
0	Resources	9,789	0	0	(165)	9,624	9,624	0	0.0%
0	Finance	139	0	0	0	139	139	0	0.0%
0	Total Capital Resources & Finance	12,308	0	0	(565)	11,743	11,743	0	0.0%

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

Detail Type	£'000	Project	Description	Mitigation Strategy
Delivery Unit – City Services				
Reprofile	(400)	Woodingdean Library	The delay is due to concerns from the developer regarding S106 contributions. This has led to a delay in achieving planning permission for the development.	
Resources				
Reprofile	(165)	Human Resources System	The original business case identified potential spend in year 4. This reprofile is to take advantage of additional functionality that could be brought on stream after the initial system build.	

New Capital Project Approval Request				
Unit:	Commissioner – Learning & Partnership			
Project title:	Longhill ICT Equipment			
Total Project Cost (All Years)	£41,520			
Purpose, benefits and risks:				
Provision of ICT equipment for Longhill school to be funded from unsupported borrowing.				
Capital expenditure profile (£'000):				
Year	2012/13	2013/14	2014/15	TOTAL
Unsupported Borrowing	41	0	0	41
Total estimated costs and fees	41	0	0	41
Financial implications:				
Unsupported borrowing is available to provide finance for schemes such as this. The repayment of the loan will be funded from the revenue budget of the school.				

New Capital Project Approval Request

Unit:	Delivery unit – Tourism and Leisure
Project title:	Brighton Centre Box Office
Total Project Cost (All Years):	£180,000

Purpose, benefits and risks:

Approval of a “spend to save” proposal for the Brighton Centre Box Office is requested. The new system will improve income and also provide customers with more control over their purchases. It will be based on an enhanced service in terms of communication about on-sale dates, concert/event information with local knowledge about accommodation, transport and retail opportunities. The existing Box Office will be retained for walk in and day-of-performance sales, as well as being responsible for updating the web sales site and digital communication. Additional support would be available for customers with special access requirements. Managing an in-house, on-line ticketing function would allow the venue to be flexible about setting booking fees for lower priced tickets, retain booking fees and transaction fees, and enable customers to benefit from any discounts which the venue currently cannot undertake. Any contract to bring in the system will be awarded in accordance with the procurement regulations, standing orders and financial regulations.

Capital expenditure profile (£'000):				
Year	2012/13	2013/14	2014/15	TOTAL
Unsupported Borrowing	180			180
Total estimated costs and fees	180			180

Financial implications:

The project is scheduled to go live in 2013/14 but expenditure will be required during this financial year in order to meet the procurement and installation deadlines. The unsupported borrowing costs will be payable by the Brighton Centre over 3 years (estimated cost of £66,930 in 2013/14, £64,194 in 2014/15 and £61,404 in 2015/16 inclusive of interest costs) starting in 2013/14 from the savings generated from introducing the system. All revenue costs such as purchase of ticketing and maintenance costs of the system can be covered by the Brighton Centre revenue budget from 2013/14.

Value for Money Programme Performance

Projects	Savings Target £m	Achieved £m	Anticipated £m	Uncertain £m	Achieved %
Adult Social Care	1.172	1.212	0.000	0.000	103.4%
Children's Services	0.301	1.682	1.683	0.000	558.8%
ICT	0.361	0.322	0.000	0.050	89.2%
Procurement *	1.341	0.826	0.515	0.000	61.6%
Procurement (2011/12)	0.355	0.355	0.000	0.000	100.0%
Workstyles	0.270	0.200	0.070	0.000	74.1%
Systems Thinking/Process Efficiencies *	0.500	0.000	0.500	0.000	0.0%
Management & Admin	2.358	2.232	0.126	0.000	94.7%
Additional Management Savings 2012/13	0.275	0.100	0.175	0.000	36.4%
Client Transport	0.000	0.000	0.000	0.000	0.0%
Total All VfM Projects	6.933	6.929	3.069	0.050	99.9%

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

Explanation of 'Uncertain' VfM Savings:

Key Variances £'000	Description	Mitigation Strategy for Uncertain Savings
ICT		
50	A potential risk has arisen in relation to Telephony provision where anticipated savings may not be as high as expected. There are a number of contracts relating to this service area that need to be realigned in order to realise full potential savings and efficiencies.	ICT are continuing to work with Procurement Category Managers to review contractual arrangements and identify a possible route for restructuring contracts. Forecast shortfall has been offset through one off savings on income and vacancy management.

Subject:	Treasury Management Policy Statement 2012/13 (including Annual Investment Strategy 2012/13) – Mid Year Review		
Date of Meeting:	22 January 2012		
Report of:	Director of Finance		
Contact Officer:	Name:	Nigel Manvell	Tel: 29-3104
	Email:	nigel.manvell@brighton-hove.gov.uk	
Ward(s) affected:	All		

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

- 1.1 The mid year review of performance against the Treasury management Policy Statement and Annual Investment Strategy is considered by the Policy & Resources Committee and forwarded to the next available meeting of the Audit & Standards Committee for scrutiny and examination in the context of the committee's role in reviewing the adequacy and effectiveness of the council's control framework including financial management processes, of which Treasury Management is an important component.

2. RECOMMENDATIONS:

- 2.1 That the Committee note the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1) and the subsequent recommendations and resolution.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The Treasury Management Policy Statement 2012/13 (TMPS) and the Treasury Management Practices (including the schedules) for the year commencing 1 April 2012 were approved by Cabinet on 15 March 2012. Full Council approved the Annual Investment Strategy 2012/13 (AIS), which forms part of the TMPS, on 22 March 2012. The policy statement sets out the key role for treasury management, whilst the practices and schedules set out the annual targets for treasury management and the methods by which these targets shall be met. The AIS sets out the parameters within which investments can be made. Detailed information is provided in the appended report to the Policy & Resources Committee on 29 November 2012 (Appendix 1). The report is included on the Audit & Standards Committee's agenda for the reasons stated in paragraph 1.1 above.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1 Detailed in the Report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 None directly relating to this report. Implications in relation to the mid year review are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

Legal Implications:

- 5.2 None directly relating to this report. Implications in relation to the mid year review are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

Equalities Implications:

- 5.3 None directly relating to this report. Implications in relation to the mid year review are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

Sustainability Implications:

- 5.4 None directly relating to this report. Implications in relation to the mid year review are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

Crime & Disorder Implications:

- 5.5 None directly relating to this report. Implications in relation to the mid year review are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

Risk and Opportunity Management Implications:

- 5.6 The delegated audit functions of the committee are to carry out independent scrutiny and examination of the Council's financial and non-financial processes, procedures and practices to the extent that they affect the Council's control environment and exposure to risk, with a view to providing assurance on their adequacy and effectiveness. This includes reviewing financial management processes of which Treasury Management is an important component. Other risk and opportunity implications are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

Public Health Implications:

- 5.7 None directly relating to this report. Implications in relation to the mid year review are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

Corporate / Citywide Implications:

- 5.8 None directly relating to this report. Implications in relation to the mid year review are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 None directly relating to this report. Alternative options relating to the mid year review are detailed in the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 The committee's role includes scrutiny and review of the council's financial governance and controls to assure their adequacy and effectiveness. This includes reviewing financial management processes of which Treasury Management is an important component.

SUPPORTING DOCUMENTATION

Appendices:

1. Market Overview – April to September 2012
2. A summary of the action taken in the period April to September 2012
3. Performance and balances

Documents In Members' Rooms

None

Background Documents

1. Part I of the Local Government Act 2003 and associated regulations
2. The Treasury Management Policy Statement and associated schedules 2012/13 approved by Cabinet on 15 March 2012
3. The Annual Investment Strategy 2012/13 approved by full Council on 22 March 2012
4. Treasury Management Policy Statement 2011/12 (including Annual Investment Strategy 2011/12) – End of year Review approved by Policy & Resources Committee on 12 July 2012 and Council on 19 July 2012
5. Papers held within Strategic Finance, Finance
6. The Prudential Code for Capital Finance in Local Authorities published by CIPFA 2011
 - i. Capital Budget Changes (New Schemes)
 - ii. Value for Money Programme Performance
 - iii. Carbon Budgets Update.

Subject:	Treasury Management Policy Statement 2012/13 (including Annual Investment Strategy 2012/13) – Mid Year Review		
Date of Meeting:	29 November 2012		
Report of:	Acting Director of Finance		
Contact Officer:	Name: Peter Sargent	Tel: 29-1241	
	E-mail: peter.sargent@brighton-hove.gov.uk		
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Treasury Management Policy Statement 2012/13 (TMPS) and the Treasury Management Practices (including the schedules) for the year commencing 1 April 2012 were approved by Cabinet on 15 March 2012. Full Council approved the Annual Investment Strategy 2012/13 (AIS), which forms part of the TMPS, on 22 March 2012. The policy statement sets out the key role for treasury management, whilst the practices and schedules set out the annual targets for treasury management and the methods by which these targets shall be met. The AIS sets out the parameters within which investments can be made.
- 1.2 The purpose of this report is to advise of the action taken during the period April to September 2012 to meet the policy statement and practices and the investment strategy.

2. RECOMMENDATIONS:

- 2.1 That Policy & Resources Committee endorses the action taken during the half-year to meet the Treasury management policy statement and associated treasury management practices and the Annual investment strategy.
- 2.2 That Policy & Resources notes the maximum indicator for risk agreed at 0.05% has not been exceeded.
- 2.3 That Policy & Resources notes the authorised limit and operational boundary set by the Council have not been exceeded.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Overview of markets

- 3.1 The half-year has seen a continuation of the financial uncertainty within the Euro zone, with its consequent impact on business and consumer confidence in the UK and other major economies. In the UK the bias of policy decisions by the

Bank of England (BoE) continued towards stimulating the economy with official rates remaining at ½% and quantitative easing (QE) increasing to £375 billion. Other measures designed to increase bank lending to businesses have been introduced by the BoE. Despite these measures consumer confidence remains relatively low and growth is modest.

3.2 Inflation has fallen from earlier highs but UK economic growth remains stalled, with a fall in gross domestic product falling for a third quarter in succession. Interest rates are projected to remain low for the foreseeable future thereby impacting on investment returns.

3.3 A commentary on the markets is set out in Appendix 1 to this report.

Treasury management strategy

3.4 A summary of the action taken in the six months to September 2012 is provided in Appendix 2 to this report. The main points are:

- § long-term debt remained unchanged at £207.8m, with no new long-term debt raised or repaid during the half-year;
- § no short-term debt has been raised in the half-year;
- § the level of investments made by the in-house treasury team as at 30 September 2012 totalled £67.9m, an increase of £39.8m during the half-year;
- § the level of investments made by the cash manager as at 30 September 2012 totalled £24.9m, an increase of £0.2m during the half-year;
- § the return on investments by the in-house treasury team and cash manager has significantly exceeded the target rate;
- § the two borrowing limits approved by Budget Council in February 2012 – the ‘authorised limit’ and ‘operational boundary’ – have not been exceeded in the first half of the year.

3.5 Treasury management activity in the half-year has focused on a short-term horizon as summarised in the table below.

	Amount invested 1 April to 30 Sept 2012			
	Fixed deposits	Money market funds	Total	
Up to 1 week	£143.2m	£74.3m	£217.5m	62%
Between 1 week & 1 month	£49.1m	-	£49.1m	14%
Between 1 month & 3 months	£79.0m	-	£79.0m	23%
Over 3 months	£2.8m	-	£2.8m	1%
	£274.1m	£74.3m	£348.4m	100%

3.6 Minimising capital risk on the investment portfolio continues to be the primary objective for the council’s investment strategy. The investment counterparty list approved by the Council in March 2012 reflected low risk investment parameters. These parameters were relaxed marginally in July 2012 to include financial institutions with “good” as well as “excellent” credit quality. The decision to relax the parameters was taken in response to a general downgrading of major banks and high levels of surplus funds. Over three-quarters of the investments made in the half-year were for 1 month or less. The average period for fixed deposits (i.e. excluding money market funds) was around 18 days. The average amount

invested in money market funds was £27.9 million.

- 3.7 On 25 June officers and members met with Sector (the council's external treasury advisors) to review the ethical investment options available for council investments and to consider changes to the counterparty list included in the AIS in light of the current conditions in the financial markets. The outcome of the meeting was reported to Policy & Resources Committee on 12 July.

Ethical investments

- 3.8 In terms of ethical investment options Sector identified a number of alternatives but in the main these require investors to deposit funds for periods between 2-5 years. Returns over the short-term for these options can be extremely volatile, potentially resulting in loss of capital. Given the council's current investment strategy to invest only short-term effectively ruled out these options for the time being.
- 3.9 Other short-term investment options were considered, including increasing investment with the Cooperative Bank (as council banker) and investment in banks with a strong ethical strategy. Members agreed that these options increased the potential risk to the investment portfolio to an unacceptable level and therefore no further action has been taken.
- 3.10 Sector advised that the council is considered to be at the forefront of promoting an ethical investment statement for cash deposits and the statement is often passed by Sector to other local authorities seeking similar investment objectives. The council will continue to promote socially responsible investments.

Investment counterparties

- 3.11 During the half-year the rating agencies downgraded a substantial number of financial institutions on the council's list of approved counterparties resulting in lower limits, reduced periods and, in some cases, suspension from the list. The review in June identified a number of potential changes to the investment strategy which were aimed at increasing the number of counterparty options.
- 3.12 Details of the changes to the 2012-13 Annual Investment Strategy are set out in the July report to this Committee. In summary the changes involved:
- allowing investment in financial institutions incorporated within the UK and regulated by the Financial Services Authority rather than UK only institutions,
 - increasing limits on investment with financial institutions that have received Government support (i.e. part nationalised banks);
 - a relaxation in the minimum rating from "highest" credit quality to "good" credit quality.
- 3.13 The above changes, which were approved by full Council on 19 July, introduced a number of new institutions to the approved list. Details of these are included within Appendix 2 along with a summary of investments made.

Summary of treasury activity April to September 2012

- 3.14 The table below summarises the treasury activity in the half-year to September 2012 with the corresponding period in the previous year.

	Apr to Sep 11	Apr to Sep 12
Long-term borrowing repaid	(£6.0m)	-
Short-term borrowing repaid	-	-
Investments made	£292.8m	£348.4m
Investments maturing	(£294.0m)	(£308.6m)

- 3.15 The following table summarises how the day-to-day cash flows in the second half-year have been funded compared to the same period in the previous year.

	Apr to Sep 11	Apr to Sep 12
Cash flow surplus	£4.8m	£39.8m
Decrease in long-term borrowing	(£6.0m)	-
Decrease in short-term borrowing	-	-
Decrease / (increase) in investments	£1.2m	(£39.8m)

Security of investments

- 3.16 A summary of investments made by the in-house treasury team and outstanding as at 30 September 2012 is tabled below. The table shows that investments continue to be held in good quality, short-term instruments.

	Balance o/s 30 Sept 2012	
Government backed institutions	£14.0m	21%
'AAA' rated funds	£25.9m	38%
'A' rated institutions	£19.6m	29%
'BBB' rated institutions	£8.4m	12%
	£67.9m	100%
Period – less than one week	£30.1m	44%
Period – between one week and one month	£19.7m	29%
Period – between one month and three months	£18.1m	27%
	£67.9m	100%

Risk

- 3.17 As part of the investment strategy for 2012/13 the Council agreed a maximum risk indicator of 0.05%. The indicator is a simple target that measures the risk within the investment portfolio based on counterparty risk and length of investment. The indicator set for 2012/13 is consistent with the investment parameters set out in the AIS.
- 3.18 The following table summarises the maximum indicator for each month in the half-year period and confirms investments have been made in good to high quality counterparties.

	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
Maximum risk indicator	0.005%	0.006%	0.005%	0.002%	0.004%	0.005%

Performance

- 3.19 The following table summarises the performance on investments compared with the budgeted position and the benchmark rate.

(*) <i>Annualised rates</i>	In-house investments		Cash manager investments	
	Average balance	Average rate (*)	Average balance	Average rate (*)
Budget 2012/13 – full year	£36.5m	0.88%	£24.6m	1.05%
Actual to end Sept 2012	£63.2m	0.80%	£24.8m	1.50%
Benchmark rate (i.e. average market rate) to end Sept 2012	-	0.44%	-	0.44%

4. CONSULTATION

- 4.1 The council's external treasury advisors have been consulted in the drafting of this report. No other consultation was undertaken.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The financial implications arising from the action taken under the TMPS are included in the Financing Costs budget. The month 6 forecast for Financing Costs shows an overspend of £350,000. Of this £375,000 is a direct result of the change in the way the HRA is financed. This effectively means there is an underspend of £25,000 due to higher interest on other activities.

Finance Officer Consulted: Peter Sargent

Date: 11/10/12

Legal Implications:

- 5.2 Action under the TMPS must be in accordance with Part I of the Local Government Act 2003 and regulations issued thereunder. Relevant guidance also needs to be taken into account.
- 5.3 This report is for information purposes only and as such it is not considered that anyone's rights under the Human Rights Act will be adversely affected by it.

Lawyer Consulted:

Abraham Ghebre-Ghiorghis

Date: 10/10/12

Equalities Implications:

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

Sustainability Implications:

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

Crime & Disorder Implications:

- 5.6 There are no direct implications arising from this report

Risk & Opportunity Management Implications:

- 5.7 The continuing uncertainty in the financial markets means the increased risk in lending has not abated. The action taken in the first six months of 2012/13 has resulted in the council reducing capital risk on its investment portfolio.
- 5.8 The position will be regularly monitored and, when confidence returns to the financial markets, opportunities to raise new borrowing and rebuild the investment portfolio will be considered.

Corporate / Citywide Implications:

- 5.9 Investment income is used to support the budget requirement for the council. Any action taken to reduce the risk of capital loss will have a downward impact on the level of interest received.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 This report sets out action taken in the six months to September 2012. No alternative options are therefore considered necessary.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 The TMPS requires the Director of Finance to report on the action taken by the council in meeting borrowing limits and investment parameters after the first 6 months and at the end of the financial year. This report fulfils the first reporting requirement.

SUPPORTING DOCUMENTATION

Appendices:

1. Market Overview – April to September 2012
2. A summary of the action taken in the period April to September 2012
3. Performance and balances

Documents In Members' Rooms

None

Background Documents

1. Part I of the Local Government Act 2003 and associated regulations
2. The Treasury Management Policy Statement and associated schedules 2012/13 approved by Cabinet on 15 March 2012
3. The Annual Investment Strategy 2012/13 approved by full Council on 22 March 2012
4. Treasury Management Policy Statement 2011/12 (including Annual Investment Strategy 2011/12) – End of year Review approved by Policy & Resources Committee on 12 July 2012 and Council on 19 July 2012
5. Papers held within Strategic Finance, Finance
6. The Prudential Code for Capital Finance in Local Authorities published by CIPFA 2011

Market Overview 2012/13
(courtesy of Sector)

April to September 2012

Economic sentiment, in respect of the prospects for the UK economy to recover swiftly from recession, suffered a major blow in August when the Bank of England substantially lowered its expectations for the speed of recovery and rate of growth over the coming months and materially amended its forecasts for 2012 and 2013. It was noted that the UK economy is heavily influenced by worldwide economic developments, particularly in the Eurozone, and that on-going negative sentiment in that area would inevitably permeate into the UK's economic performance.

With regard to the Eurozone, investor confidence remains weak because successive "rescue packages" have first raised, and then disappointed, market expectations. However, the uncertainty created by the continuing Eurozone debt crisis is having a major effect in undermining business and consumer confidence not only in Europe and the UK, but also in America and the Far East/China.

In the UK, consumer confidence remains depressed. Whilst inflation has fallen considerably from earlier highs, UK gross domestic product (GDP) fell by 0.5% in the quarter to 30 June, the third quarterly fall in succession. This means that the UK's recovery from the initial 2008 recession has been the slowest of any its main competitors and total GDP is still 4.5% below its peak in 2008.

Consequently, the Chancellor's plan to eliminate the annual public sector borrowing deficit has been pushed back further into the future. The Monetary Policy Committee has kept Bank Rate at 0.5% throughout the period while quantitative easing was increased by £50bn to £375bn in July. In addition, in June, the Bank of England and the Government announced schemes to free up banking funds for business and consumers.

On a positive note, the UK's sovereign debt remains one of the first ports of call for surplus cash to be invested in and gilt yields, prior to the ECB bond buying announcement in early September, were close to zero for periods out to five years and not that much higher out to ten years.

October 2012 to March 2013

The risks in economic forecasts continue unabated from the previous treasury strategy. Concern has been escalating that the Chinese economy is heading for a hard landing, rather than a gentle slowdown, while America is hamstrung by political deadlock which prevents a positive approach to countering weak growth. Urgent action will be required early in 2013 to address the United States debt position. However, on 13 September the Federal reserve announced an aggressive stimulus programme for the economy with a third round of quantitative easing focused on boosting the stubbornly weak growth in job creation, and this time with no time limit. They also announced that it was unlikely that there would be any increase in interest rates until at least mid 2015.

Eurozone growth will remain weak as austerity programmes in various countries curtail economic recovery. A crunch situation is rapidly developing in Greece as it has failed yet again to achieve deficit reduction targets and so may require yet another (third) bail out. A financial crisis was also rapidly escalating over the situation in Spain. However, in early September the ECB announced that it would purchase unlimited amounts of shorter term bonds of Eurozone countries which have formally agreed the terms for a bailout. Importantly, this support would be subject to conditions (which have yet to be set) and include supervision from the International Monetary Fund. This resulted in a surge in confidence that the Eurozone has at last put in place the framework for adequate defences to protect the Euro. The immediate aftermath of this announcement was a rise in bond yields in safe haven countries, including the UK. Nevertheless, this could prove to be as short lived as previous “solutions” to the Eurozone crisis.

The Bank of England Quarterly Inflation Report in August pushed back the timing of the return to trend growth and also lowered its inflation expectations. Nevertheless, concern remains that the Bank’s forecasts of a weaker and delayed robust recovery may still prove to be over optimistic given the world headwinds the UK economy faces. Weak export markets will remain a drag on the economy and consumer expenditure will continue to be depressed due to a focus on paying down debt, negative economic sentiment and job fears.

Sector advise that the overall balance of risk is weighted to the downside:

- low growth in the UK is expected to continue, with Bank Rate unlikely to rise in the next 24 months, coupled with a possible further extension of quantitative easing. This, Sector advise, is likely to keep investment returns depressed.
- the expected longer run trend for PWLB borrowing rates is for them to eventually rise, primarily due to the need for a high volume of gilt issuance in the UK and the high volume of debt issuance in other major western countries. However, Sector caution that the current safe haven status of the UK may continue for some time, tempering any increases in yield.

Sector's interest rate forecast

The following table sets out Sector's interest rates forecasts to March 2015.

	Sep-12l	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
BANK RATE	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00
3m LIBID	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.70	0.90	1.10	1.40
6m LIBID	0.85	0.85	0.85	0.85	0.85	0.85	1.00	1.10	1.30	1.50	1.80
12m LIBID	1.30	1.30	1.30	1.30	1.40	1.50	1.70	1.90	2.10	2.30	2.60
5yr PWLB	1.89	1.50	1.50	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.30
10yr PWLB	2.91	2.50	2.50	2.50	2.60	2.70	2.80	2.90	3.00	3.20	3.30
25yr PWLB	4.15	3.70	3.70	3.70	3.80	3.80	3.90	4.00	4.10	4.20	4.30
50yr PWLB	4.32	3.90	3.90	3.90	4.00	4.00	4.10	4.20	4.30	4.40	4.50

Summary of action taken in the period April to September 2012

Treasury Management Strategy

New long term borrowing

No new long-term borrowing raised in the first six months.

Debt maturity

No long-term borrowing was repaid in the first six months.

Lender options: this is where the lender has the exclusive option to request an increase in the loan interest rate and the council has the right to reject the higher rate and repay instead. Options on three loans were due in the 6 month period but no option was exercised.

Debt restructuring

Opportunities to restructure the debt portfolio are severely restricted under changes introduced by the Public Works Loan Board in October 2007. No restructuring was undertaken in the first 6 months.

Weighted average maturity profile

With no movement in the long-term debt portfolio the weighted average maturity period of the portfolio has decreased naturally by 6 months, from 33.3 years to 32.8 years.

Capital financing requirement

The prudential code introduces a number of indicators that compare 'net' borrowing (i.e. after deducting investments) with the capital financing requirement (CFR) – the CFR being the amount of capital investment met from borrowing that is outstanding. Table 1 compares the CFR with net borrowing and actual borrowing.

Table 1 – Capital financing requirement compared to debt outstanding

	1 April 2012	30 Sept 2012	Movement in period
Capital financing requirement (CFR)	£344.4m		
Less PFI element	-£61.3m		
Net CFR	£283.1m	^(*) £285.4m	+£2.3m
Long-term debt	£207.8m	£207.8m	-
Investments – in house team	-£28.1m	-£67.9m	-£39.8m
Investments – cash manager	-£24.7m	-£24.9m	-£0.2m
Net debt	£155.0m	£115.0m	-£40.0m
O/s debt to CFR (%)	73.4%	72.8%	-0.6%
Net debt to CFR (%)	54.8%	40.3%	-14.5%

^(*) projected 31 March 2013

Traditionally the level of borrowing outstanding is at or near the maximum permitted in order to reduce the risk that demand for capital investment (and hence resources) falls in years when long-term interest rates are high (i.e. interest rate risk). However given the continued volatility and uncertainty within the financial markets, the council has maintained the strategy to keep borrowing at much lower levels (as investments are used to repay debt). Currently outstanding debt represents 73% of the capital financing

requirement.

Cash flow debt / investments

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

An analysis of the cash flows reveals a net surplus for the first six-months of £39.8m. The surplus has been to increase investments (Table 2).

Table 2 – Cash flow April to September 2012

	Payments	Receipts	Net cash
Total for period	£404.2m	£444.0m	+£39.8m
Increase in investments			-£39.8m

Prudential indicators

Budget Council approved a series of prudential indicators for 2012/13 at its meeting in February 2012. Taken together the indicators demonstrate that the council’s capital investment plans are affordable, prudent and sustainable.

In terms of treasury management the main indicators are the ‘authorised limit’ and ‘operational boundary’. The authorised limit is the maximum level of borrowing that can be outstanding at any one time. The limit is a statutory requirement as set out in the Local Government Act 2003. The limit includes ‘headroom’ for unexpected borrowing resulting from adverse cash flow.

The operational boundary represents the level of borrowing needed to meet the capital investment plans approved by the council. Effectively it is the authorised limit minus the headroom and is used as an in-year monitoring indicator to measure actual borrowing requirements against budgeted forecasts.

Table 3 compares both indicators with the maximum debt outstanding in the first half year.

Table 3 – Comparison of outstanding debt with Authorised Limit and Operational Boundary 2012/13

	Authorised limit	Operational boundary
Indicator set	£383.0m	£371.0m
Less PFI element	-£62.0m	-£62.0m
Indicator less PFI element	£321.0m	£309.0m
Maximum amount o/s in first half of year	£207.8m	£207.8m
Variance	(*)£113.2m	£101.2m

(*) can not be less than zero

Performance

The series of charts in Appendix 3 provide a summary of the performance for both the debt and investment portfolios.

In summary the key performance is as follows:

- Chart 1 shows the average cost of the long-term debt portfolio has remained unchanged during the half-year at 4.58%.
- Chart 2 shows that the level of investment managed by the cash managers and the in-house treasury team. The sum invested via the cash manager increases as investment income is reinvested, whereas investment by the in-house team includes cash flow investments and therefore fluctuates throughout each month. The chart reflects the increase in investments due to the positive cash flow in the first six months.
- Chart 3 compares the returns achieved on external investments with the benchmark rate of 7-day LIBID (London Inter-bank Bid Rate) rate for the in-house treasury team and 7-day LIBID rate (compounded) for the cash manager. The chart confirms that during the six months to September 2012:
 - the investment performance of the in-house treasury team has exceeded the target rate (which is 105% of the benchmark rate), and
 - the investment performance of the cash manager has exceeded the target rate (which is 115% of the benchmark rate).

Approved organisations – investments

At the July 2012 meeting of Policy & Resources Committee Members recommended the inclusion of a number of new institutions to the council's list of approved investment counterparties. This recommendation was approved by Council on 19 July 2012. These institutions were included following a revision to the investment parameters agreed in March 2012. Details of these changes are set out in paragraph 4 and Appendix 5 to the July report.

Following the approval by full Council to extend the list of investment counterparties the following new institutions have been used since that date.

Table 4 - Investments made in new institutions since 19 July 2012

Counterparty	No of loans	Total value	Average rate	Average maturity period
Bank of Butterfield	3	£7,500,000	0.53%	41 days
Clydesdale Bank	1	£3,400,000	0.43%	30 days
Close Brothers	3	£7,650,000	0.76%	44 days
CCLA Public Sec tor Deposit Fund	2	£1,600,000	0.49%	25 days

Table 5 - Investments made where maximum amount increased since 19 July 2012

Counterparty	Previous maximum	Revised maximum	Maximum amount invested	Amount invested as at 30 Sept
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				2012
Lloyds Bank	£5,000,000	£10,000,000	£10,000,000	£9,850,000

There have been no further revisions to the list approved by P&R.

Prior to the change approved by Council the investment limit with the Co-operative Bank was breached on two separate occasions in the half year for operational reasons:

- Occasion No 1 - The limit was exceeded by £5.5 million for a period of 1 day. The breach was rectified and there was no loss incurred by the council.
- Occasion No 2 - The limit was exceeded by £1.7m for one day. The breach was rectified and there was no loss to the council.

Performance and balances

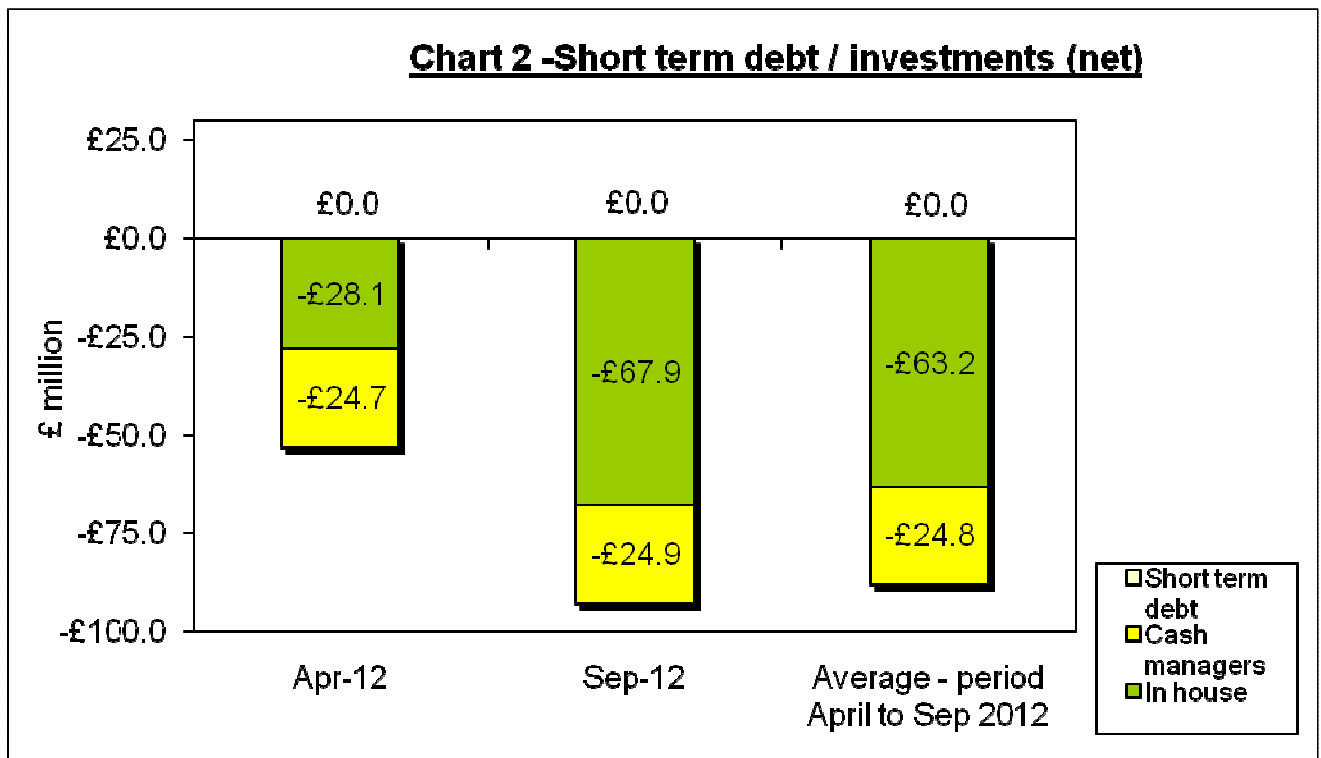
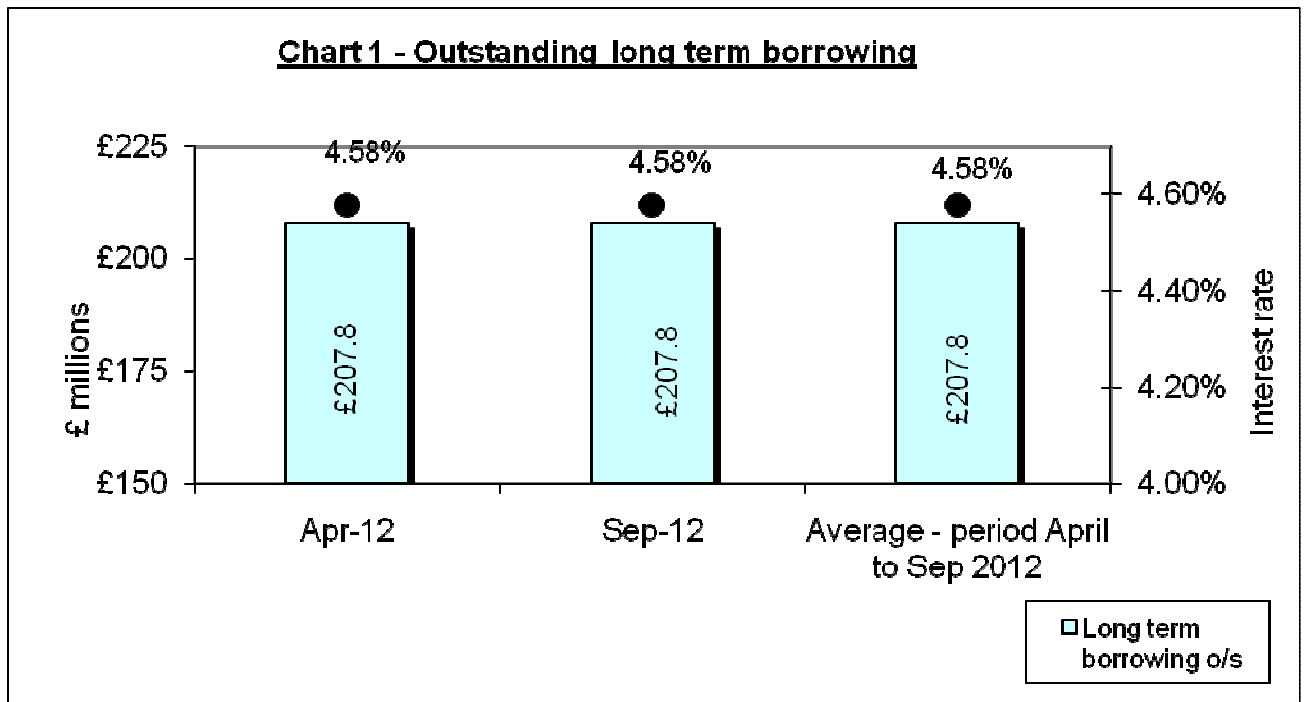
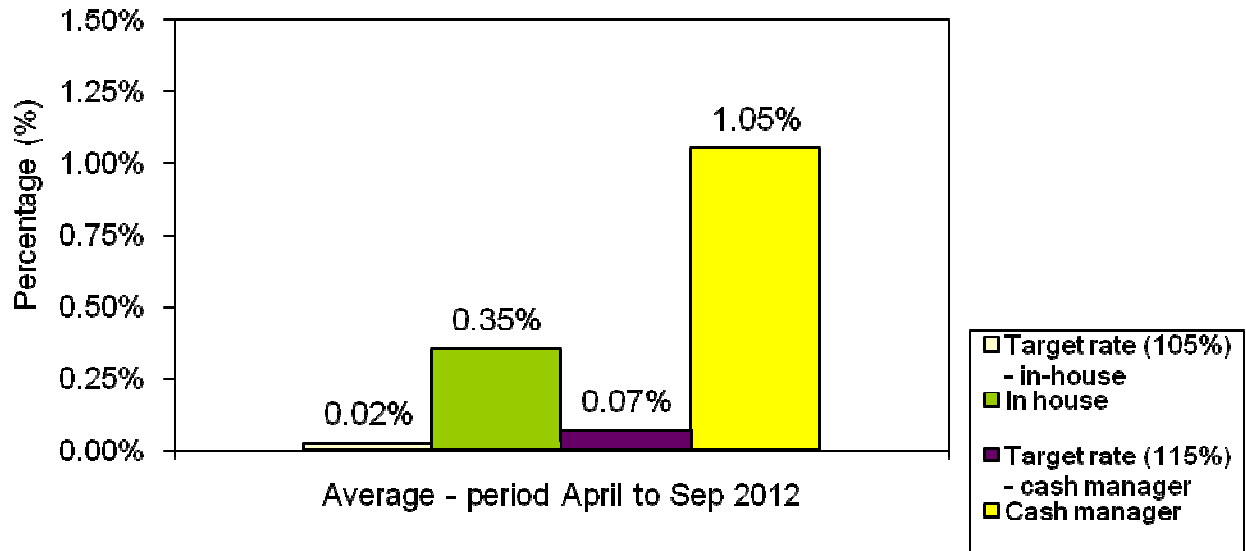


Chart 3 - Performance indicators (annualised) : variation from benchmark (x axis) and target rate (105% / 115% times benchmark)



Subject:	Strategic Risk Management Action Plan Focus – SR10 Information Governance Management		
Date of Meeting:	22 January 2013		
Report of:	Director of Finance		
Contact Officer:	Name:	Jackie Algar	Tel: 29- 1273
	Email:	Jackie.algar@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 On 20 November 2012 the Committee received a full copy of the latest Strategic Risk Management Action Plans (“strategic risk MAPs”) to accompany the Strategic Risk Register. The Committee agreed that in order to more fully explore the details of the actions to address each Strategic Risk, the risk owner for individual risk MAPS would be requested to attend Part 2 of their meetings on a scheduled basis.
- 1.2 This meeting will be attended by the Lead Officers’ representative, Anita Baxter, Head of ICT Business Strategy. The Strategic Risk MAP has been updated specifically for this meeting to provide Members with the current position.

2. RECOMMENDATIONS:

- 2.1 That Members ask questions of the Lead Officer for this Strategic Risk based on the information provided in the Strategic Risk Map(s) in Appendix 1 (Strategic Risk Assessment Report).
- 2.2 That, having considered Appendix 1 and the Lead Officer’s responses, the Committee make any recommendations it considers appropriate to the relevant council body.

3. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 3.1 In 2012/13 a one off risk provision was made to support Information Governance. This has been fully committed to mitigate the critical risks that would otherwise have caused the Council to be non compliant with the code of connection.

The associated financial risks are considered during the Targeted Budget Management process, the development of the Medium Term Financial Strategy and budget strategies.

The projected capital programme for 2013/14 to 2015/16 includes an ICT scheme for the replacement of core security and access infrastructure. The funding for this scheme will be considered by Policy and Resources Committee as part of the prioritisation of the limited capital resources available.

Finance Officer Consulted: Anne Silley

Date: 12/12/12

Legal Implications:

- 3.2 Members of the Committee are entitled to information, data and other evidence which enable them to reach an informed view as to whether the council's strategic risks are being adequately managed; and to make recommendations based on their conclusions.

Lawyer Consulted:

Oliver Dixon

Date: 11/12/12

SUPPORTING DOCUMENTATION

Appendices:

1. Strategic Risk Assessment Report – SR10.

Documents in Members' Rooms

None.

Background Documents

1. Strategic Risk Register 2012 – updated 3 October 2012.






Brighton & Hove City Council
Strategic Risk Assessment Report
Director of Finance & Senior Information Risk Owner
(SIRO)



ROM Issue: Information Governance Management	Responsible Officer: Director of Finance & Senior Information Risk Owner (SIRO)
	Risk Code: SR10

Identified The council must operate to a high standard of information governance within the overall context of openness and transparency.

Potential Conseq The council recognises that if it fails to manage data effectively then :
 * Individuals may suffer loss or damage
 * The council may suffer loss of reputation , financial penalties and/or other enforcement penalties
 * It may result in a loss of trust in the council by citizens and partners and sub-optimal decision making.

Initial: High		Revised: High		Future: Significant	
Risk Identified Date: 8/5/2012		Date Modified: 9/1/2013		Date Modified: 12/10/2012	

- Risk Category:**
- BHCC Strategic Risk
 - Customer / Citizen
 - Legislative
 - Professional / Managerial

Existing Controls:

- * An action plan which will deliver the improvements identified by the Information Commissioner's Office (ICO) is in place and ongoing. The plan includes;
 - Redevelopment of staff training and awareness programme for Data protection . In phase 1 we have implemented - Foundation Level Data Protection training in place (face to face); Role specific information co-ordinators training;
 - Complete overhaul and consolidation of all policy and guidance in relation to Information Management and Information security. All information based policies are ready for approval by the IMB (Information Strategy, Information Security Policy, Data Protection Policy, Information Handling Policy, Retention Strategy, Retention Schedule, Retention Schedule in phased development, a standard policy template, Data Protection Guidance in the event of a breach, Protective Marking Guidance, Encryption Guidance, Working from Home Guidance, Acceptable Use of ICT (Ts and Cs)
 - Security review, completed:
 - Records management; undertake a council wide audit of information, by a phased programme of work which has been started in key departments along with the information asset register and retention schedule and document standards
- * Information Management Board in place, interalia it sets standards for information management, ensures these standards are embedded within the organisation, communicates key messages to the organisation and acts as the final arbiter
- * Information Governance Steering Group in place and oversees the delivery of the work plan and action plan for ICO Compliance Audit and reports
- * Open Government Licence implemented to support open government agenda
- * Review undertaken "Respecting Confidentiality in the Context of Openness and Transparency"
- * "One off " financial Risk Provision to meet in-year commitments

Effectiveness of Controls: Uncertain	Issue Type: Threat
	Risk Treatment: Treat, Treat

Solutions: Through the Information Management Board identify available funding streams to meet implementation costs of improvements to Information Management arrangements
Information Management Board to develop arrangements and, through Heads of Service, develop accountability for information asset ownership
Work with individual Heads of Service and key officers to implement and embed the information governance framework
Review the council Publication Scheme to ensure that the council is transparent and meets with legal obligations
Implement an improvement plan (with short, medium and long term goals), all of which will increase the robustness of our environment
The ICO will issue a report following re-examination of arrangements in September 2012
Commission an accredited consultant to undertake a gap analysis of the council's compliance with the Code of Connection which allows council use of the GCsX Government network
Deliver implementation schedule/action points from the "Respecting Confidentiality in the Context of Openness and Transparency" review and monitor progress through the Officers' Governance Board

Subject:	Strategic Risk Management Action Plan Focus – SR6 Safeguarding vulnerable members of our community		
Date of Meeting:	22 January 2013		
Report of:	Director of Finance		
Contact Officer:	Name:	Jackie Algar	Tel: 29- 1273
	Email:	Jackie.algar@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 On 20 November 2012 the Audit & Standards Committee received a full copy of the latest Strategic Risk Management Action Plans (“strategic risk MAPs”) to accompany the Strategic Risk Register. The Committee agreed that in order to more fully explore the details of the actions to address each Strategic Risk, the risk owner for individual risk MAPS would be requested to attend Part 2 of their meetings on a scheduled basis.
- 1.2 This meeting will be attended by the Risk Owners, Director of Adult Social Services, Denise D’Souza and Director of Children’s Services, Heather Tomlinson. The Strategic Risk MAP has been reviewed prior to this meeting.

2. RECOMMENDATIONS:

- 2.1 That Members ask questions of the Risk Owners for this Strategic Risk based on the information provided in the Strategic Risk Map in Appendix 1 (Strategic Risk Assessment Report).
- 2.2 That, having considered Appendix 1 and the Risk Owners’ responses, the Committee make any recommendations it considers appropriate to the relevant council body.

3. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 3.1 Each Strategic Risk MAP provides details of the actions already in place (“Existing Controls”) or work to be done as part of business or project plans (the “Solutions”) to address each strategic risk. Potentially these may have significant financial implications for the authority either directly or indirectly.

The associated financial risks are considered during the Targeted Budget Management process, the development of the Medium Term Financial Strategy and budget strategies.

Finance Officer Consulted: Anne Silley

Date: 12/12/12

Legal Implications:

- 3.2 Members of the Committee are entitled to information, data and other evidence which enable them to reach an informed view as to whether the council's strategic risks are being adequately managed; and to make recommendations based on their conclusions.

Lawyer Consulted:

Oliver Dixon

Date: 11/12/12

SUPPORTING DOCUMENTATION

Appendices:

1. Strategic Risk Assessment Report – SR6.

Documents in Members' Rooms

1. None.

Background Documents

1. Strategic Risk Register 2012 – updated 3 October 2012.






Brighton & Hove City Council
Strategic Risk Assessment Report
Director of Adult Social Services & Director of
Children's Services

ROM Issue: Safeguarding vulnerable members of our community	Responsible Officer: Director of Adult Social Services & Director of Children's Services
	Risk Code: SR6

Identified Safeguarding of Adults and Children require different responses, however the council is the lead agency with lead responsibility for both. Key issues are:
 * There are 1800 children in the city for whom the council has a clear legal responsibility and numbers of referrals continue to increase. As with Adults, the number of referrals is unpredictable.
 This is further complicated by the Government announcement about changes to children with Special Educational Needs.
 * As welfare reforms are implemented there is a risk that more families will become vulnerable.
 * Services are seeing more complex cases in social care, especially in relation to mental health, substance misuse and older people with complex needs

Potential Conseq
 * Affect on council's ability to respond in a timely manner to the needs of the most vulnerable
 * Any change in the approach of risk management has the potential to impact on the council's resources and budget but, despite changes, provision of services to support safeguarding of adults and children remains in place

Initial: High		Revised: High		Future: Significant	
Risk Identified Date: 15/5/2012		Date Modified: 8/10/2012		Date Modified: 15/5/2012	

Risk Category:
 - BHCC Strategic Risk
 - Customer / Citizen

Existing Controls:
 * Range of programmes in place to reduce risk, eg Alcohol Programme Board and Drug Intervention Programmes reducing the risk to both adults and children in families affected by drug and alcohol dependency
 * Identifying need early and providing early help through re-focusing of service priorities and ensuring this work is fully integrated with the council's new Stronger Families, Stronger Communities Initiative
 * Working with partners and other across children and adults services to improve understanding of threshold referrals so that risks can be better held in the community
 * Measures to ensure appropriate levels of review for clients receiving individual budgets
 * Commissioners working with the Governance Board to ensure appropriate levels of training and support for staff delivering services with the council and council commissioned services
 * Continuing to develop Peer Review in both adults and children's services to ensure services are of a high quality
 * Looked After Children (LAC) a clear corporate priority overseen by the Corporate Parenting sub-committee of Policy and Resources Committee
 * Action plan for Adults Safeguarding, with tasks allocated across partners, is monitored by the Safeguarding Board (includes statutory partners) and is shared with SLT

Effectiveness of Controls: Adequate
Issue Type: Threat
Risk Treatment: Treat, Treat

Solutions:
 Work with Troubled Families Initiative
 Monitoring level of services in safeguarding and assessment
 New legal framework and draft bill expected for adult safeguarding will generate review
 Through the Governance and Safeguarding Board, undertake a careful review of resources, particularly as the social care market diversifies and the needs of the population change
 Continue to monitor effectiveness of approaches in place to safeguard both children and adults through existing boards and partnership arrangements

Document is Restricted

