





Brighton & Hove
City Council

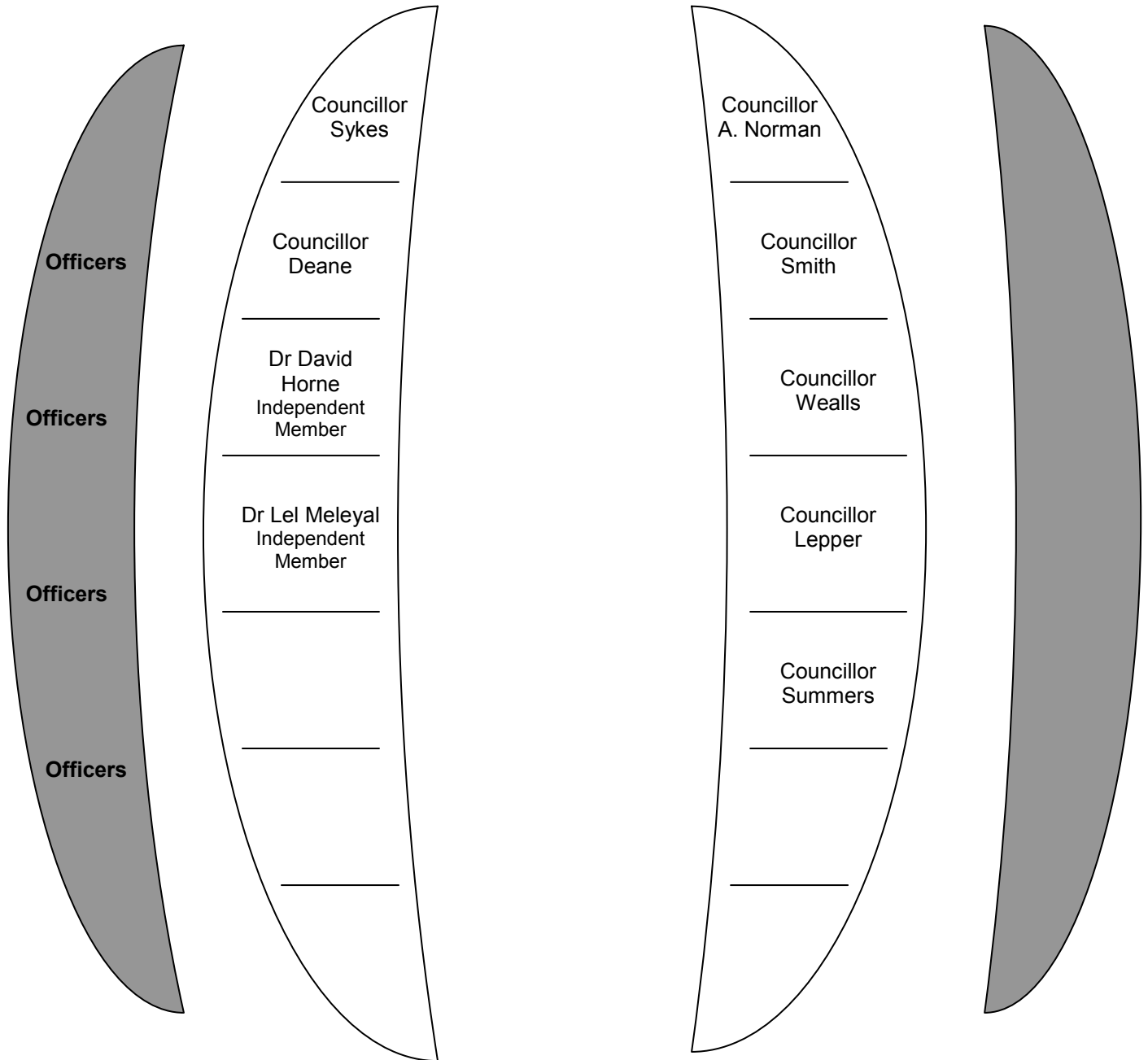
Audit & Standards Committee

Title:	Audit & Standards Committee
Date:	19 November 2013
Time:	4.00pm
Venue	Council Chamber, Hove Town Hall
Members:	Councillors: Hamilton (Chair), A Norman (Opposition Spokesperson), Deane, Lepper, Smith, Summers, Sykes and Wealls Co-opted Members: Dr David Horne and Dr Lel Meleyal
Contact:	Ross Keatley Acting Democratic Services Manager 01273 291064 ross.keatley@brighton-hove.gcsx.gov.uk

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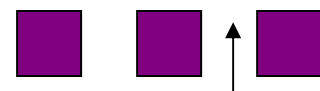
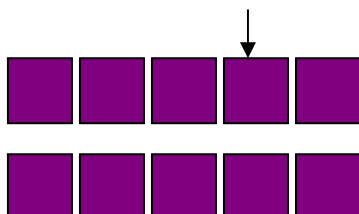
Democratic Services: Audit & Standards Committee

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



Press

AGENDA

39. 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.

40. MINUTES

1 - 14

To consider the minutes of the meeting held on 24 September 2013 (copy attached).

41. CHAIR'S COMMUNICATIONS

AUDIT & STANDARDS COMMITTEE

42. 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 (12 November 2013);
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the (12 November 2013).

43. MEMBER INVOLVEMENT

To consider the following matters raised by councillors:

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

STANDARDS ITEMS

44. COMPLAINTS UPDATE - NOVEMBER 2013 15 - 20

Report of the Head of Law & Monitoring Officer (copy attached).

Contact Officer: Abraham Ghebre-Ghiorghis *Tel:* 29-1500
Ward Affected: All Wards

45. THE NEW STANDARDS REGIME - ONE YEAR ON 21 - 40

Report of the Head of Law & Monitoring Officer (copy attached).

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

AUDIT ITEMS

46. PRESENTATION - THE ROLE OF THE NAFN (NATIONAL ANTI FRAUD NETWORK)

Presentation by Jeremy Frost (NAFN Regional Intelligence Manager).

47. INTERNAL AUDIT PROGRESS REPORT 41 - 48

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

Contact Officer: Mark Dallen *Tel:* 29- 1314
Ward Affected: All Wards

AUDIT & STANDARDS COMMITTEE

- 48. ERNST & YOUNG: ANNUAL AUDIT LETTER 2012/13** **49 - 62**
- Report of the External Auditor, Ernst & Young (copy attached).
- Contact Officer: Helen Thompson Tel: 07974 007332*
Ward Affected: All Wards
- 49. ERNST & YOUNG - AUDIT PROGRESS REPORT AND SECTOR UPDATE** **63 - 84**
- Report of the External Auditor, Ernst & Young (copy attached).
- Contact Officer: Helen Thompson Tel: 07974 007332*
Ward Affected: All Wards
- 50. TARGETED BUDGET MANAGEMENT (TBM 5)** **85 - 150**
- Report of the Executive Director for Finance & Resources (copy attached).
- Contact Officer: Jeff Coates Tel: 29-2364*
Ward Affected: All Wards
- 51. STRATEGIC RISK REGISTER REVIEW - OCTOBER 2013** **151 - 182**
- Report of the Executive Director of Finance & Resources (copy attached).
- Contact Officer: Jackie Algar Tel: 29-1273*
Ward Affected: All Wards
- 52. STRATEGIC RISK MAP FOCUS: SR 4 ECONOMIC RESILIENCE AND SUSTAINABLE ECONOMIC GROWTH, AND SR8 BECOMING A MORE SUSTAINABLE CITY** **183 - 186**
- Report of the Executive Director of Finance & Resources (copy attached).
- Contact Officer: Jackie Algar Tel: 29-1273*
Ward Affected: All Wards
- 53. ITEMS REFERRED FOR COUNCIL**
- To consider items to be submitted to the 12 December 2013 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

54. PART TWO MINUTES

187 - 192

To consider the part two minutes of the meeting held on 24 September 2013 (copy attached).

55. PART TWO PROCEEDINGS

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

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

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

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

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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.gcsx.gov.uk) or email democratic.services@brighton-hove.gov.uk.

AUDIT & STANDARDS COMMITTEE

Date of Publication - Monday, 11 November 2013

BRIGHTON & HOVE CITY COUNCIL**AUDIT & STANDARDS COMMITTEE****4.00pm 24 SEPTEMBER 2013****COUNCIL CHAMBER, HOVE TOWN HALL****MINUTES**

Present: Councillors Hamilton (Chair), A Norman (Opposition Spokesperson), Deane, Smith, Summers, Sykes and Wealls

Independent Persons & Co-opted Members: Dr David Horne

PART ONE**19. PROCEDURAL BUSINESS****16a Declarations of substitutes**

16.1 There were none.

16b Declarations of interests

16.2 There were none

16c Exclusion of the press and public

16.3 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.

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

20. MINUTES

20.1 **RESOLVED** – That the Chair be authorised to sign the minutes of the meeting held on 25 June 2013 as a correct record.

21. CHAIR'S COMMUNICATIONS

21.1 The Chair explained that training had been undertaken following reports to the Committee in April 2013 in relation to revised codes and protocols and Member conduct; 17 Members had attended across all groups. The main topics had focused on: Members' Code of Conduct; social media protocol and revised arrangements for investigating complaints of member misconduct.

22. PUBLIC INVOLVEMENT

22.1 There was none.

23. MEMBER INVOLVEMENT

23.1 There was none.

24. SETTLEMENT AGREEMENTS

24.1 The Committee considered a joint report of the Executive Director of Finance & Resources and the Head of Law & Monitoring Officer in relation to Settlement Agreements. It was noted the Executive Leadership Team (ELT), as the body responsible for corporate employment matters, had recently agreed a new policy on the use of settlement agreements to reflect best practice. The policy was being brought before the Committee to provide added assurance.

24.2 Councillor Summers welcomed the report as an example of good governance and asked if it reflected on the use of settlement agreements in the past by the Council. In response the Executive Director of Finance & Resources explained that it had recently become apparent the authority needed to keep a better profile of those who had been the subject of settlement agreements; there also needed to be a more sophisticated management of when they were used and for whom. It was also noted that there were times the authority had used settlement agreements in an overly cautious manner where there may have been a simpler mechanism. In response to a further query it was explained that the report provided an average cost of voluntary severance payments.

24.3 In relation to a query about the comparative authorities it was explained that, whilst these were not geographical, they related to language set out by the Chartered Institute of Public Finance and Accountancy (CIPFA); there had been more attention in relation to this topic nationally and further guidance had been issued.

24.4 Councillor Summers went to ask about the media perception of the matter and the Council's obligations under the Freedom of Information Act. In response the Executive Director of Finance & Resources confirmed that had been a lot of national attention on this topic, and the Council had been using settlement agreements more than some other authorities. In relation to disclosure under the Freedom of Information Act it was clarified that the case for non-disclosure fell within strict criterion, and this generally related, in this area, to data protection issues; however, this was not a blanket reasons for non-disclosure as senior officer settlement agreements were disclosed in the financial statements.

- 24.5 In response to a further question from Councillor Summers the Executive Director of Finance & Resources explained that the Council needed to be cautious about the judgement of the legal risk, and it might have been this judgement that had led the authority to use settlement agreements more than others. Whilst there may be times when it would be acceptable for the authority to avoid a higher level of risk this would need to be considered on a case by case basis against the other potential routes that could be taken. It was also confirmed that the panel consisted of the Executive Director of Finance & Resources; the Head of Law & Monitoring Officer and the Head of Human Resources & Organisational Development; however, appointed deputies were also able to attend.
- 24.6 Dr Horne asked about the reporting to the Chief Executive, and it was confirmed that the reporting took place after the agreement; however, the Chief Executive would be required to approve any agreement over £50K or any that related to a member of the corporate management team. Dr Horne stated he was of the view that the Chief Executive should have greater oversight, and the Executive Director confirmed that she would feed these comments back; it was also added that the initial decision to review had come from the Chief Executive in relation to the number of settlement agreements. It was also added that following on from the review it was expected that the number of settlement agreements would be reduced.
- 24.7 Dr Horne went on to ask about the involvement of the external auditors, and how their role worked in the process. The Executive Director of Finance & Resources explained that the key factors were the value of the agreement and the seniority of those involved in the decision. If the agreement related to a member of the senior management team or the Chief Executive then the external auditors would be alerted; however, the external auditors would not approve the agreement, but they would play a role in scrutinising it – this would be the continuation of the current practice.
- 24.8 Dr Horne proposed that the use of settlement agreements be published in the Statement of Accounts, and the Executive Director of Finance & Resources noted that this would be a voluntary disclosure and she could consider the inclusion, but a better course of action might be to bring an annual report to the Committee.
- 24.9 Councillor Deane asked a series of questions and the Executive Director of Finance provided the following responses: there had not previously been a set formula for settlement agreements and they had been undertaken on a case by case basis; however, one of the advantages of the new tighter arrangements was the panel would be able to take consistent decisions. The comparators in the report were the most recent availability, and there was more movement for local authorities to share this sort of information and encourage best practice.
- 24.10 Councillor Sykes raised concerns in relation to potential volume of work, and in response it was clarified that the agreements would be used less in future following the review.
- 24.11 **RESOLVED** – That the Committee note the Statement of Council Policy on the Use of Settlement Agreement set out in Appendix 1 to report coming into effect on 1 October 2013.

25. WHISTLEBLOWING POLICY

- 25.1 The Committee considered a joint report of the Executive Director of Finance & Resources and the Head of Law and Monitoring Officer in relation to the Whistleblowing Policy; the report had been produced at the request of the Committee on 25 June 2013. The report sought to brief the Committee on the Council's Whistleblowing Policy and the review that was being undertaken to consider the effectiveness of the current whistleblowing arrangements in practice.
- 25.2 The Executive Director of Finance & Resources confirmed, in response to Councillor Summers, that the policy was designed for employees; if Members wanted to raise issues through whistleblowing the appropriate route would be directly through the Monitoring Officer.
- 25.3 The Head of Human Resources & Organisational Development confirmed for Councillor Summers that the list of potential whistleblowing activities in the report was by no means exhaustive, and part of the process was to check that whether an issue should be dealt with through other processes in the Council.
- 25.4 Councillor Deane asked about the extent of staff awareness of the policy, and in response the Head of Human Resources & Organisational Development explained that part of the review would be to establish this and take any appropriate steps to publicise it further.
- 25.5 **RESOLVED:**
- (i) That the Committee note the Council's current Whistleblowing Policy (Appendix A).
 - (ii) That the Committee instruct the Executive Director of Finance & Resources to bring a further report to the meeting of Audit & Standards Committee in March 2014 detailing the findings of the Whistleblowing Policy review currently underway.

26. IMPLEMENTATION OF MEMBER RECOMMENDATIONS

- 26.1 The Committee considered a joint report of the Executive Director of Finance & Resources and the Head of Law & Monitoring Officer in relation to the implementation of Member recommendations in various areas. Following the meeting of the Committee on 25 June 2013 further information was requested from Members on the arrangements in place to respond to recommendations made by Members at Committee and Sub-Committee meetings. The report sought to set out the current procedures and proposed new arrangements in relation to the Personnel Appeals Sub-Committee.
- 26.2 Councillor Wealls thanked the Deputy Head of Law, Elizabeth Culbert, for the report, and Councillor Hamilton commented that it was important ancillary issues from Personnel Appeals Sub-Committees were picked up Officers.

26.3 RESOLVED:

- (i) That the Committee approves the proposals for responding to recommendations of the Personnel Appeals Sub-Committee as set out in paragraph 3.6-3.9 of the report.
- (ii) That the Committee notes the arrangements as set out in the report for responding to recommendations of Policy Committees/Sub-Committees and Scrutiny Committees.

27. COMPLAINTS UPDATE SEPTEMBER 2013

27.1 The Committees considered a report of the Head of Law & Monitoring Officer in relation to the Complaints Update; the paper sought to provide the regular update to the Committee in relation to allegations about Member conduct.

27.2 **RESOLVED** – That the Committee note the report.

28. ERNST & YOUNG: AUDIT RESULTS REPORT 2014

28.1 The Committee considered a report of the External Auditors: Ernst & Young in relation to the 2012/13 Audit Results. The report summarised the findings of the 2012/13 audit, which was by that point substantially completed. It also included the key messages arising from the audit of the financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in its use of its resources. The intention of the external auditors was to issue an unqualified opinion on the financial statements, and an unqualified conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

28.2 Councillor Sykes asked about economy efficiency and effectiveness and noted that the content of the report went into less depth than previous; he stated that there needed to be a judgment made to determine whether the Council were doing enough in this area. In response the External Auditor, Helen Thompson, explained that the content in the report was only a summary and there had been more detailed work undertaken as in previous years. The scope of the value for money conclusion would remain the same, and this formed part of the ethos from Central Government. The Executive Director of Finance & Resources added that the scope of the value for money work had reduced, and there was now more emphasis on the Council to undertake benchmarking, and more challenge for it to understand its own costs.

28.3 Councillor Sykes went on to ask about the rate that spending was decreasing in the authority when compared with statistically similar authorities. The Executive Director of Finance & Resources explained that the authority still had relatively high costs, particularly in relation to some of the services for children and adult social care, and whilst the rate of spending reduction was not as rapid as others it left further scope for challenge in these areas.

28.4 Councillor Sykes continued his questions and asked about payroll and allowances, in particular if the assurances in previous years had been reasonable. In response the

External Auditor, Simon Mathers, explained that the Council's payroll system remained complex, whilst there had been no evidence of fraud or error it was this complexity that inherently increased the level of risk and potential for error. Mr Mathers went on to highlight that the External Auditors were obliged to report on the ongoing level of complexity, but added that there had been no backwards steps in this area. The Executive Director of Finance & Resources also stated that all major changes had been properly consulted on, and this was helping to ensure there was a much simpler and transparent allowance scheme in place across the organisation. It was noted that these changes were due to be fully implemented shortly; however, the full impact on the level of assurances would not be reported until the 2014/15 financial year.

- 28.5 Councillor Sykes then moved on to ask about misstatements, and in particular for more information in relation to figure of £12M; in response Ms Thompson explained that the external auditors did not test every transaction, and £12M was the figure at which an error was significant enough to adjust – any figure below this the external auditors would only have to issue an opinion.
- 28.6 Lastly Councillor Sykes asked about lease target arrangements, and whether this made a positive or negative difference. In response Mr Mathers explained that the error of lease disclosures was in the presentation of future amount due. The Executive Director of Finance & Resources went on to say that whilst the external auditors had a duty to report material misstatements in the accounts she had a responsibility, as the chief financial officer, to ensure the accounts were accurate; when errors were highlighted corrections could be made in certain circumstances where it was practical to make them accurate.
- 28.7 Councillor Ann Norman asked about valuations of assets and drew particular example of the Royal Pavilion. The Executive Director of Finance & Resources explained that there was often a judgement to be made in valuation of assets and the Royal Pavilion was a particularly unique example of this. The Head of Corporate Financial Services, Jane Strudwick, highlighted that the approach of the Council to use the insurance valuation was potentially double counting as the valuation had also included an additional 15% to cover fixtures and fittings which would already be covered as a heritage asset. The agreement had been to bring into the accounts the entire 100% of the insurance valuation for the Royal Pavilion.
- 28.8 Councillor Ann Norman then went on to ask about the register of contracts over £75K; in response the Executive Director of Finance & Resources gave assurance that work was ongoing to improve completeness of the register. The authority was now asking if the £75K threshold for corporate sealing was reasonable, and if this created an onerous administrative challenge for the Authority; however, it remained important to have a good central record of contracts.
- 28.9 Councillor Wealls asked for a clearer definition of a unit for the purposes of accounting in the Children's Services Directorate. In response Mr Mathers explained that he did not have this information at the meeting, but would be happy to provide this afterwards. The Executive Director of Finance & Resources helped to contextualise the matter by explaining that the usual analysis was on the spend for the appropriate group of the population; the figure would adjust to take account of the low school age population within the city and the data was an indicator of the expected spend per head of the

population. When Officers wanted to do more analysis there needed to be a more sophisticated breakdown to provide better benchmarking with comparative authorities. In areas such as adult social care there was an existing set of robust national benchmarking data which would provide good comparisons; however, when the data amounts were much lower, for example for looked after children, it was necessary to 'drill down' more to get better benchmarking. Councillor Wealls noted that the data could be misleading, and stated he would be happy to facilitate further discussions in relation to the number of challenges. The Executive Director added that when looking at the population the driving factor could be the volume or the unit cost; it was important that officers unpick the particulars behind the figures and identify the factors driving costs.

- 28.10 Councillor Sykes continued this topic and queried if comparisons were made like for like; he also asked to what extent the unit costs were high, and if it was actually possible to ever compare accurately. In response the Executive Director of Finance & Resources stated that all data was benchmarked against comparable authorities, and this gave a good starting point. Historically many authorities had used the data to argue the individual circumstances of their authority; however, it was important that work was undertaken to dig down and provide more context on why an authority was different. Ms Thompson added that this was not a criticism, but rather a starting point for investigation and the value for money programme allowed authorities to look for efficiencies. It was considered perfectly right for authorities to justify varied levels of spending, and the process allowed authorities to feel comfortable with where they sat against the comparable authorities.
- 28.11 Dr Horne asked the external auditors if they had any comment in relation to the uncorrected statements given that they had sight of the Council's justification for not adjusting. In response Ms Thompson stated that the uncorrected statements had been discussed with Officers, and they would not impact on the opinion as they were below the materiality thresholds, and the reasons for not adjusting were accepted.
- 28.12 Dr Horne went on to ask about the financial planning for the future of the authority, and drew attention to the lack of recommendation against support for services in the medium term. In response Ms Thompson explained that this was a situation the Council were already aware of, and any recommendation would be simply confirm this position. The Executive Director of Finance & Resources added that this was the national trend, and it related to the type of language that Local Government Association were currently using. The ongoing proportion of costs for social care would overtime undermine the availability of funding for other valued services unless the underlying cause of the high social care costs were addressed. This was a challenge for all local authorities and served as a reminder that understanding the core of what was driving costs was at the heart of sustainable budget solutions. Dr Horne noted that these comments had very real implications for the work of the Committee.
- 28.13 Dr Horne also asked if there were any issues in the delivery of the 2013/14 value for money programme at this stage; in response the Executive Director of Finance & Resources explained that some shortfall had been reported early in the financial year, some of this has related to accelerated service redesign; however, the voluntary redundancy scheme was now closed. There had also been other pressures on reporting in month two, but all these areas would have close attention paid to them.

28.14 Before a vote was taken the Committee considered Item 29 – Statement of Accounts 2011/12 to inform the recommendations, and after consideration of both of these items votes were taken separately on each set of recommendations.

28.15 **RESOLVED:**

- (i) That the Committee take note of the adjustments to the financial statements which are set out on pages 8 to 10 of the report.
- (ii) That the Committee agree to adjust the errors in the financial statements which management has declined to amend set out on pages 10 and 19 of the report or set out the reasons for not amending the errors.
- (iii) That the Committee approve the letter of representation on behalf of the Council before the audit opinion and value for money conclusion are given. A copy of the letter of representation is presented to you under a separate report on the Statement of Account 2012/13 from the Executive Director of Finance and Resources.

29. STATEMENT OF ACCOUNTS 2012/13

29.1 The Committee considered a report in relation to the Statement of Accounts 2012/13. The report recommended approval of the 2012/13 Statement of Accounts and the Letter of Representation on behalf of the Council. In line with legislation the Council's Statement of Accounts had to be agreed by 30 September 2013, and the Audit & Standards Committee were currently charged with this function. The Council's external auditors (Ernst & Young LLP) were required to give assurance that the Statement of Accounts was free from material misstatement and to report significant matters arising from the audit. Ernst & Young had conducted its audit of the Statement of Accounts and had identified one material misstatement relating to the valuation of the Royal Pavilion together with one relatively small number of presentation and disclosure amendments prior to issuing their opinion and the publication of the accounts. The report presented the revised 2012/13 Statement of Accounts following the audit, and it outlined amendments since they were presented to the June 2013 meeting of the Committee; it also provided assurances in relation to the preparation of the Statement of Accounts. The report also provided information regarding the summary accounts and informed the Committee of the outcome of the public inspection of the accounts.

29.2 Councillor Sykes asked for clarification in relation to the level of reported reserves against what was recommended; he also asked why the Council were currently holding high levels of reserves on the balance sheet and the Housing Revenue Accounts (HRA). In response the Executive Director of Finance & Resources explained there had been guidance that recommended reserves in the region of 5% of the organisational annual turnover, but this did not exist anymore and was a matter for local judgement. At the balance sheet date the Council had un-earmarked reserves in excess of that agreed working balance; however, the most recent budget setting exercise had committed to spend the entirety of the un-earmarked reserves for areas such as the voluntary redundancy scheme; the Council's transformation fund and a significant proportion had been set aside for potential business rate refunds. Although the amount was shown as

high it would be more challengeable if the authority had not made plans to spend it. The HRA had a higher level of reserves largely due to the profiling of the capital programme.

- 29.3 Councillor Sykes went on to ask about the increase in the pension liability, and in response the Executive Director of Finance & Resources explained that the difficulty was that the liability reported was a snapshot of the fund at a moment in time. There were a whole range of factors that contributed to this including the length of time people now lived for and the underperformance of the stock market. There were a range of national reforms including changes to employer and employee contributions and the auto-enrolment scheme; the impact on the funding gap was not yet clear. It was also noted that the overall responsibility for the fund sat with East Sussex County Council, and the Council sent trustees as representatives. Whilst the concern with pension funds was a national issue; the Council would continue to plan to help close the gap.
- 29.4 Councillor Wealls asked about adjusted misstatements and in particular who would oversee this and where the assurance was that the incident was an isolated example. The Executive Director of Finance & Resources explained that the testing was undertaken by the external auditors; who would do further sample testing to consider errors in balances across other areas. The External Auditor, Mr Mather, added that if the auditors could not conclude that the example was isolated they would then extrapolate to provide an estimate; if the estimate went above £12M then more testing would have to be undertaken. It was the practice to avoid testing where possible.
- 29.5 Councillor Summers highlighted a typographical error in relation to schools balances, and it was confirmed the matter would be clarified after the meeting.
- 29.6 **RESOLVED:**
- (i) That the Committee notes the findings of Ernst & Young in their Audit Results Report (ARR). The ARR is a separate item on this agenda.
 - (ii) That the Committee notes the adjusted misstatements to the 2012/13 Statement of Accounts (paragraph 7.3 and Appendix 4).
 - (iii) That the Committee considers the advice in relation to unadjusted misstatements and agree that they should not be adjusted for (paragraph 7.4 and Appendix 5).
 - (iv) That the Committee notes the results of the public inspection of the accounts (Section 9).
 - (v) That the Committee approves the letter of representation on behalf of the council (Appendix 1).
 - (vi) That the Committee approves the audited Statement of Accounts for 2012/13.

30. INTERNAL AUDIT PROGRESS REPORT 2013/14

- 30.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Internal Audit Progress Report 2013/14. The report sought to inform the Committee of the progress made against the Internal Audit Plan 2013/14 – including the

outcomes of specific audit reviews completed and the tracking of the implementation of recommendations. The report also included information on the work undertaken by the Corporate Fraud Team that had been recently established, and whose work was a key component of the Internal Audit Plan.

- 30.2 Councillor Hamilton noted that there was a Part 2 appendix which the Committee could discuss later in closed session.
- 30.3 Councillor Sykes asked about internal slippage, and in particular at which point this would impact on other pieces of work. In response the Audit Manager, Mark Dallen, explained that the plan had a mixture of work – some of which was aligned closely with the work of external audit. It was planned at this stage that the team would complete 95% of the work, and it was noted that there had been some slippage – this was not considered significant so far, but would be kept under review.
- 30.4 Councillor Summers asked for some clarification in relation to the recommendations against some of the final audit reports. In response the Audit Manager explained that it was very unusual for there to be no recommendations at the completion of an audit. He noted that the Saltdean Lido had been unique as it had looked at a ‘point in time’ when any recommendations would have been unnecessary. It was also important that the work for Senior Officers was focused onto the highest risk items. The Executive Director of Finance & Resources added that it was important that any additional work to add control was proportionate, and Officers needed to take a mature approach to manage risks.
- 30.5 In response to a query from Councillor Deane the Audit Manager explained that figures in relation to overpayments were the value of fraudulent payments identified. In most cases there was a clear requirement for the money to be repaid; however, where this related to individuals with ongoing benefit requirements the court could set a maximum that could be taken from payments creating very lengthy repayment programmes.
- 30.6 **RESOLVED** – That the Committee notes the progress made in delivering the Annual Internal Audit Plan 2013/14.

31. HR AND PAYROLL AUDIT ISSUES UPDATE

- 31.1 The Committee considered a report in relation to the HR and Payroll Issues Update. The Committee had previously been informed both through internal audit and external audit of historic concerns about the payroll control environment. Significant improvements had been made over the last 18 months and the report summarised the work, and met the commitment made to the Committee in April 2013 to provide a six monthly update on progress. The report also provided an opportunity to update the Committee on other related work in Human Resources and any new challenges faced.
- 31.2 Councillor Ann Norman thanked Officers for the report, but noted she had concerns from reading the report in relation to the ability of the service to undergo the necessary reconfiguration from within existing budgets. The Head of Human Resources confirmed that there had been an additional funding bid to help with some of this work, and some of the demand would be met by shifting work within the Human Resources section. Councillor Deane asked for more information in relation to the additional funding bid,

and it was confirmed that this was for internal funding, and it was envisaged there would be a one off budget provision made for this work.

- 31.3 **RESOLVED** – That the Committee note the progress made to improve the payroll control environment and other Human Resources related audit work.

32. TARGETED BUDGET MANAGEMENT (TBM 2)

- 32.2 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Targeted Budget Management (TBM) Provisional Outturn 2013/14. Targeted Budget Monitoring (TBM) reports were 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 set out the provisional outturn position on the Council's revenue and capital budgets for the financial year 2013/14.

- 32.3 **RESOLVED** – That the Committee note the report to the Policy & Resources Committee on July 2013 and the subsequent recommendations and resolution.

33. TREASURY MANAGEMENT POLICY STATEMENT 2012/13 - END OF YEAR REVIEW

- 33.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to Treasury Management Policy Statement 2012/13 – end of year review. In line with good practice the report set out the treasury management actions during the second half of the year for Members to review and endorse. The report also summarised the position at the end of the year and set out performance against key indicators.
- 33.2 Councillor Ann Norman expressed concern in relation to the reduction in credit rating of the Co-op Bank; particularly that the majority of bond holders would need to disband or agree to raise the necessary capital. In response the Head of Strategic Finance & Procurement, Mark Ireland, explained that the view would not be known until October following a meeting. In the interim it was clarified that there would be no further investment in the Co-op as it had fallen below the authority's investment grade; however, they would still hold small sums of money as they provided the Council's banking service.
- 33.3 Councillor Sykes asked what the Council could do to maximise return on investment, and in response the Head of Strategic Finance & Procurement explained that Officers had considered this, but the historic position was to be extremely cautious. Without increasing the level of risk this would be quite difficult, but the work of this would be reported in a half year report.
- 33.4 **RESOLVED** – That the Committee note the report to the Policy & Resources Committee on 11 July 2013 and the subsequent recommendations and resolution.

34. ITEMS REFERRED FOR COUNCIL

34.1 There were none.

35. STRATEGIC RISK MAP FOCUS: SR12 MAINTAINING SEAFRONT; AND SR14 PAY & ALLOWANCES MODERNISATION - EXEMPT CATEGORY 3

35.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Strategic Risk MAP Focus: SR12 Maintaining the Seafront as an asset to the city; and SR14 Pay & Allowances Modernisation. The Committee had a role to monitor the effectiveness of risk management and internal control by oversight of the Strategic Register and a Risk Management Action Plan for each risk which is owned by a member of the Executive Leadership Team. For each meeting an assessment of whether items should be reported in Part 1 (open) session or Part 2 (confidential session) was undertaken by the Monitoring Officer in conjunction with the Chair and political party representatives. The Committee has agreed to focus on two strategic risks at each meeting so that over the course of a year all the MAPs receives attention. The Risk Owners responsible would be the Assistant Chief Executive, Paula Murray for SR12 and the Chief Executive, Penelope Thompson for SR14.

35.2 **RESOLVED** – That the Committee, having considered the Strategic Risk MAPs and the Risk Owners' response, the Committee make any recommendations it considers appropriate to the relevant Council body.

36. INFORMATION GOVERNANCE - CODE OF CONNECTION COMPLIANCE - EXEMPT CATEGORY 3

36.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Information Governance - Code of Connection Compliance. It was noted that at the meeting of the Committee in June 2013 the Committee had considered Information Governance Management as part of the Strategic Risk Map Focus; the risk had, at that time, recently been lowered largely owing to the work undertaken on the Council's policies and frameworks to meet the requirements of the Information Commissioners Officer (ICO). At the meeting the Executive Director of Finance & Resources provided a verbal update on the new requirements of the Public Sector Services Network (PSN) Code of Connection (CoCo) and explained that it would result in an increase in the risk rating for Information Governance Management. A commitment was made to provide a full update to the September 2013 Committee meeting.

36.2 RESOLVED:

- (i) That the Committee note the 'zero tolerance' approach adopted by the Cabinet Office to the PSN Code of Connection.
- (ii) That the Committee note the deadlines for compliance by the council and the business implications of failure to meet the requirements.
- (iii) That the Committee note the governance and project management structure for achieving CoCo compliance.

- (iv) That the Committee note the work undertaken since the council was made aware of the zero tolerance approach.
- (v) That the Committee note the key compliance risks at the time of writing this report.

37. INTERNAL AUDIT PROGRESS REPORT 2013/14 - EXEMPT CATEGORY 3

37.1 The Committee considered the Part 2 appendix to Item 30 Internal Audit Progress Report 2013/14.

38. PART TWO PROCEEDINGS

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

The meeting concluded at 7.16pm

Signed

Chair

Dated this

day of

Subject: **Complaints Update – November 2013**
Date of Meeting: **19 November 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 25 June 2013.
- 1.2 This also paper contains summary information about the number of complaints received about services the council provides.

2. RECOMMENDATION:

- 2.1 That the Committee note the report.

3. RELEVANT BACKGROUND INFORMATION

Member Complaints

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

3.1.1 Active complaints

- One complaint is in the process of being resolved by Local Resolution.
- One complaint has been referred for Investigation and is in progress.
- There have been four separate complaints about an alleged misconduct, which are being dealt with as a single Investigation.

3.1.2 Closed complaints:

- a. A member of the public who is the neighbour of a councillor complained that the councillor's hedge was overgrown and was causing her a nuisance. The member of the public additionally claimed that the councillor's spouse had made a fraudulent insurance claim. After consulting with an Independent Person the Monitoring Officer concluded that in respect of the complaint about the hedge the Member had not

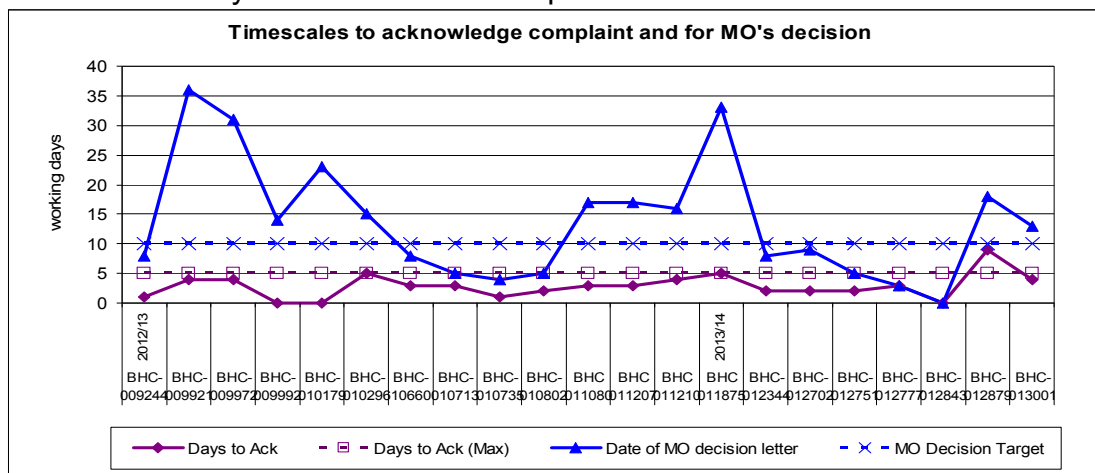
been acting in their capacity of councillor. It was not clear from the information given if the councillor was complicit with the alleged fraudulent insurance claim. In any event if the Member had been a party to a fraudulent claim this would be a potential criminal matter and would fall outside the Code of Conduct for Members. The Monitoring Officer decided not to refer the matter for investigation.

- b. A member of the public complained that a tweet from a councillor placed a specific taxi company at a commercial disadvantage by suggesting their service should be boycotted because of their objection to the 20mph speed limit in parts of the city. After consulting with an Independent Person and giving the matter careful consideration the Monitoring Officer concluded that under Article 10 of the Human Rights Act the councillor is allowed to express a personally held view. This principle has been tested in previous rulings and by third tier tribunals who generally seek to accommodate a person's right to Freedom of Expression. Additionally, the Monitoring Officer noted that taxi companies had entered the political arena in the form of adverts they had taken out in the local newspaper about the issue. He concluded that it would be difficult to identify a potential breach of the Code of Conduct and decided therefore not to refer the complaint for investigation.

3.2 The Council's performance in dealing with individual complaints about Member conduct 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. To date all complaints except one have been acknowledged within 5 working days.

3.2.2 It is our intention that the complainant will normally be informed within 10 working days how the matter will be dealt with. The new process for dealing with complaints about member conduct is working well and decisions are now reached more quickly than under the previous arrangements. Consultations on individual cases with the Independent Persons take place promptly and have proven to be valuable. The Monitoring Officer will continue to ensure decisions are reached within the 10 day timescale whenever possible.



Service Complaints

- 3.3 The following tables show the number of complaints the council receives about its services. The tables as set out describe the number of Stage One Complaints, Stage Two Complaints and Local Government Ombudsman Complaints. The information is then broken down to show numbers received by each Directorate.
- 3.4 The purpose of the information in the following charts is to give a sense of complaints activity rather than a detailed analysis.
- 3.4.1 In quarter 2, between July and September 2013, complaint numbers for Stage One and Stage Two are at their highest levels and complaints to the Ombudsman are the second highest in the 18 month period reported on.
- 3.4.2 For quarter 2 in 2012 there was a similar increase in Stage One complaints, which indicates this may be a seasonal variation. The data shows that most of the Directorates received greatest complaint numbers in quarter 2 in both years.
- 3.4.3 However, there was not a corresponding increase in Stage Two complaints in quarter 2 2012. The percentage escalating to Stage 2 in quarter 2 2012 was 8.1%, and for 2013 that figure was 13.9%.
- 3.4.4 There has been an increase in Stage One complaints between quarter 1 2013 and quarter 2 2013 of more than 25%. At Stage 2 that increase has been over 40%.
- 3.4.5 This suggests that more detailed work could be carried out to identify the root causes of these increases in complaints levels.
- 3.4.6 Numbers of complaints to the Ombudsman have increased each quarter, however, findings against the council remain very few.

Summary of Stage One Complaint Numbers	Quarter 1 2012/13	Quarter 2 2012/13	Quarter 3 2012/13	Quarter 4 2012/13	Quarter 1 2013/14	Quarter 2 2013/14
Adult Statutory Complaint	28	31	31	22	19	28
Child Statutory Complaint	18	10	9	10	11	21
Corporate Complaint	364	419	336	368	338	423
Total	410	460	376	400	368	472
Assistant Chief Executive	13	33	14	9	15	12
Adult Services	28	31	31	22	19	28
Children's Services	25	15	15	17	15	24
City Services	34	50	37	48	72	48
Environment Development and Housing	308	325	275	300	246	350

Finance and Resources	1	1	0	1	0	3
Schools	1	5	4	3	1	7
Total	410	460	376	400	368	472

Summary of Stage Two Complaint Numbers	Quarter 1 2012	Quarter 2 2012	Quarter 3 2012	Quarter 4 2012	Quarter 1 2013	Quarter 2 2013
Adult Services	0	0	0	0	0	0
Child Statutory Complaint	3	1	2	1	1	3
Corporate Complaint	38	34	26	45	42	59
Total	41	35	28	46	43	62
Assistant Chief Executive	0	0	2	0	0	0
Adult Services	0	0	0	0	0	0
Children's Services	4	3	2	2	3	3
City Services	2	5	4	5	2	4
Environment Development and Housing	35	25	20	38	38	54
Finance and Resources	0	1	0	0	0	0
Schools	0	1	0	1	0	1
Total	41	35	28	46	43	62
Escalating Stage One to Stage Two*	10.7%	8.1%	8.1%	12.1%	12.3%	13.9%

LGO Complaints	Quarter 1 2012	Quarter 2 2012	Quarter 3 2012	Quarter 4 2012	Quarter 1 2013	Quarter 2 2013
Adult Services	1	0	3	3	1	1
Assistant Chief Executive	0	0	2	0	1	0
Children's Services	3	1	4	1	3	3
Environment Development and Housing	5	9	15	8	9	12
City Services	1	0	1	1	4	2
Finance and Resources	0	0	1	0	0	1
Public Health	0	0	0	0	0	0
Schools	0	1	3	1	0	3
Total LGO Complaints	10	11	29	14	18	22
Escalating Stage One to Ombudsman**	2.4%	2.4%	7.7%	3.55	4.9%	4.7%

* Adult Service complaint numbers are not included in this calculation as there is no Stage Two in the statutory complaint procedure.

** All Stage One complaints are included in this calculation.

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. There were no compensation awards in the period covered by the report.

Finance Officer Consulted: Anne Silley

Date: 08 November 2013

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 Audit & Standards Committee in September 2012, as amended in April 2013.

Lawyer Consulted:

Oliver Dixon

Date: 08 November 2013

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. None

Documents In Members' Rooms

1. None

Background Documents

1. None

Subject:	Standards – one year on		
Date of Meeting:	19 November 2013		
Report of:	Abraham Ghebre-Ghiorghis		
Contact Officer:	Name:	Elizabeth Culbert	Tel: 29-1515
	Email:	elizabeth.culbert@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 To review the operation of the Council's Code of Conduct and standards arrangements since they were adopted in 2012 and to consider recent Government Guidance in relation to disclosure of Members' interests.

2. RECOMMENDATIONS:

- 2.1 That Committee notes the report and the new DCLG Guidance on interests and agrees that no further changes are required to the Council's Code of Conduct for Members at this stage.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The Localism Act 2011 made fundamental changes to the system of regulation of standards of conduct for elected, and co-opted, Members. During 2012 the Council considered a series of reports to establish how it would respond to the changes and agreed a new code of conduct and associated procedures. The date for implementation of these changes was 1 July 2012, meaning the new arrangements have been in place for over 12 months. It is therefore appropriate for Members to consider how the different elements of the arrangements have worked and whether, in the light of experience, any changes are required.

Audit and Standards Committee

- 3.2 The Council's decision to move to a committee system coincided with the abolition of the statutory requirement to have a Standards Committee. As part of the review of the Council's decision making arrangements, the Council agreed that efficiency would be improved by joining the Standards Committee and Audit Committee to form one Committee.
- 3.3 The Committee has been kept up to date on complaints received in relation to Members through the quarterly complaints update reports. The Committee has also considered and approved important Council policies which relate to standards issues, such as the Whistleblowing Policy.

- 3.4 Whilst the number of standards items on the agenda is not always high, the intention was to ensure that there was a transparent Member forum at which to raise and oversee standards issues and this has been achieved. The appointment of two Independent Persons to the merged Committee has enabled their time and expertise to be used to consider both audit and standards issues. This is considered to be extremely valuable, reflecting CIPFA best practice in relation to audit arrangements as well as meeting the Localism Act 2011 requirements.
- 3.5 It is not proposed that any changes be made to the Audit and Standards Committee meeting arrangements at this stage.

The Code of Conduct for Members

- 3.6 Under the new arrangements, the Council was given greater discretion as to what it included within its new Code of Conduct, provided that it was consistent with the seven principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- 3.7 Following the recommendations of a cross party Member Working Group, the Committee considered and agreed a new Code of Conduct for Members, which was adopted by full Council on 19th July 2012. The new Code was more detailed than the DCLG model, which the Working Group and Committee found to be lacking in sufficient detail to be useful to Members or the public. The Council's Code was reviewed again by Committee on 16th April 2013. The language of personal and prejudicial interests was considered to be clearer and more familiar than 'other disclosable interests' and an amended Code was adopted by full Council to reflect this on 9th May 2013.

Recent Government Guidance regarding interests

- 3.8 In September 2013, DCLG published 'Openness and Transparency on Personal Interests – A Guide for Councillors'. A copy is attached at Appendix One. The Guidance summarises the current standards regime and seeks to clarify that, although there is no longer a statutory requirement to declare personal interests, the DCLG view is that it is necessary to do so in order to comply with the Seven Principles of Public Life. The Guidance sets out that personal interests that should be declared would include membership of a Trade Union. The Guidance also clarifies that an exemption is not required for Councillors in relation to setting Council Tax.
- 3.9 As a result of the Council's early decision to adopt a fuller Code, covering personal interests as well as disclosable pecuniary interests, the subsequent recent DCLG guidance does not require any changes to the Code we have in place.

Dealing with Misconduct Complaints

- 3.10 The Localism Act 2011 enabled authorities to establish their own local processes in relation to complaints, which included the ability to streamline the investigation process and delegate aspects of decision making to the Monitoring Officer. The Council's new procedures were considered by Committee and adopted by full

Council on 19 July 2012. They were further revised on 16 April 2013 to ensure that only substantive breaches (as opposed to technical, minor breaches) were considered at a hearing of the Standards Panel. The intention in designing and reviewing the new system has been to maintain a clear, transparent route for complaints against Members to follow and for this to be dealt with more quickly than in the past.

3.11 Since moving to the new arrangements in July 2012, the Council has received twenty two complaints from members of the public alleging breaches the Code of Conduct. This is at a level which is approximately the same as under the previous arrangements. Under the former arrangements, the average number of complaints per annum was ten complaints from the public and six complaints from Members. Under the new arrangements the average has been sixteen complaints per annum from the public and nil from members. For the cases resolved to date, the time taken to conclude these complaints has significantly improved from an average of forty five days to sixteen days. The improved speed of resolution is attributable to the more streamlined processes in place.

3.12 Further detail as to how the arrangements have worked in practice is set out below:-

(i) Decision on whether to investigate a complaint

3.13 The Council agreed to delegate to the Monitoring Officer the initial decision on whether a complaint requires investigation, subject to consultation with an Independent Person. It was agreed that these arrangements would also offer the opportunity for the Monitoring Officer to seek to resolve a complaint informally, before taking a decision on whether the complaint merits formal investigation.

3.14 The ability to seek to resolve complaints outside of a formal investigation has been used in twelve of the twenty two cases referred to above. Of these twelve, nine have been determined as not suitable for investigation and three have been determined via informal resolution. In each case the informal resolution has taken the form of a written apology from the Member concerned.

3.15 Informal resolution is a means to ensure that complaints are listened to, considered and resolved within a quick time frame, which is preferable for both complainants and Members. Before coming to a view on whether there should be no investigation, an informal investigation or a formal investigation, the Monitoring Officer has sought the views of one of the Independent Persons and incorporated their feedback into the decision notice. Looking at the national picture, informal resolution is seen as the preferred route for resolving Member complaints.

3.16 Where the complaint has been determined as not suitable for investigation, this decision is based on an assessment that the complaint, if proved, would not constitute a breach of the Code of Conduct for Members.

(ii) Procedure for investigating complaints

3.17 Since the adoption of the new procedures, seven complaints have been referred for formal investigation (four of these complaints are being dealt with together in

one investigation). The decision to carry out an investigation in each case was made by the Monitoring Officer, following consultation with an Independent Person. Three investigation reports have been completed by the Council's Standards and Complaints Manager. This procedure for referral for investigation has therefore been 'tested' during the last 12 months and had been found to work well. It is anticipated that the new ability to resolve matters informally post investigation that was agreed by Committee in April 2013 (referred to at 4.18 below) will offer increased flexibility and contribute further to timely resolutions of complaints.

- 3.18 The current volume of matters referred for investigation in Brighton & Hove has been manageable in-house, within existing resources. It is proposed to continue with this approach.

(iii) Hearing Panel following investigation

- 3.19 In April 2013 Audit & Standards Committee approved revisions to the procedure for investigating alleged misconduct in order to streamline the process in cases where an investigation found that no breach or a technical but minor breach had occurred. In such cases, there is now an option for the complainant and subject member to agree to end the matter without the need for a formal hearing, subject to the consent of the Monitoring Officer.

- 3.20 Where an investigation finds a substantive breach, the matter must be referred to a Hearing Panel for determination. Such a Panel comprises four members plus an Independent Person acting in an advisory capacity. Actions can include:-

- A formal letter to the Member found to have breached the Code;
- Formal censure by motion;
- Removal by the full Authority from committee(s), Member Representative roles and all outside appointments to which he/she has been appointed or nominated by BHCC, subject to statutory and constitutional requirements;
- Press release/other appropriate publicity

- 3.21 In relation to the two formal investigations that have been heard to date by the Hearing Panel under the new arrangements, the Hearing Panel found that there had been no breach of the Code of Conduct.

Independent Persons

- 3.22 Following a recruitment and selection exercise, Dr David Horne and Dr Lel Meyel were appointed as Independent Members for a term of four years, with the possibility of an extension for a further period of four years. On every occasion when a complaint has been received, one of the Independent Persons has been consulted by the Monitoring Officer.

- 3.23 As these arrangements have worked well in practice, it is not proposed to make further changes at this stage. However, it is proposed to review the arrangements with the Independent Persons and seek to adopt any areas for improved working that can be identified through the national local government standards network.

Maintaining Registers

- 3.24 The Localism Act required Members to register their Disclosable Pecuniary Interests and required Council's to determine their own arrangements as to other interests to be registered. In line with the Council's decision to adopt a more detailed code of conduct, the Monitoring Officer has prepared and maintains a new register of interests and registration form incorporating both Disclosable Pecuniary Interests and Personal Interests. In accordance with the requirements of the Act, the forms have been published on the Council's website and are updated as and when required.
- 3.25 All Members have submitted their registration forms and Members have been updating their forms as their interests have changed. In order to ensure that the Register is kept up to date, it is proposed to carry out a review following the Annual Meeting of the Authority. This will involve all Members being sent their current entry and being asked to confirm whether it is up to date or to identify where revisions are needed.
- 3.26 It is considered that these arrangements will be effective in making sure that Members are aware of their duty to register interests and keep them updated.

Sensitive Interests

- 3.27 Where a Member is concerned that disclosure of the detail of an interest would lead to the member or a person connected with the Member being subjected to violence or intimidation, he/she may request the Monitoring Officer to agree that the interest is a "sensitive interest". If the Monitoring Officer agrees, the Member then only discloses the existence of the interest, rather than the detail of it at a meeting and the detail of the interest can be excluded from the published version of the register of Members' interests.
- 3.28 The ability to treat some interests as sensitive has been used in a very few cases, indicating that appropriate arrangements are in place for the exceptional circumstances where this is necessary.

Training for Members

- 3.29 Following the introduction of a revised Code of Conduct in May 2013 (referred to above), training on this and the recently agreed Social Media Protocol was offered to all Members. Two interactive sessions, both chaired by Cllr Hamilton in his capacity as Chair of Audit & Standards Committee, were run in July 2013, and 17 Members across all political groups attended.

The Committee on Standards in Public Life – 14th annual report

- 3.30 In January 2013, the Committee on Standards in Public Life reported and raised some areas of concern in relation to the new standards regime. In relation to Local Government, their report stated:-

“The new, slimmed down arrangement have yet to prove themselves sufficient for their purpose. We have considerable doubt that they will succeed in doing so and intend to monitor the situation closely.”

- 3.31 Particular areas for concern for the Committee on Standards in Public Life were the lack of sanctions beyond censure and also the new role of Independent Person. Any future reports or recommendations coming from the Committee will be reported to the Audit and Standards Committee.

4. COMMUNITY ENGAGEMENT & CONSULTATION

- 4.1 This report is being considered by Audit and Standards Committee to review the current arrangements and external engagement is not proposed in relation to these internal procedural matters.

5. CONCLUSION

Having agreed and implemented a new Code of Conduct and a new system of dealing with complaints against Members, it is important for the Committee to review the effectiveness of these arrangements.

6. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 6.1 The current procedures followed keep costs down by referring cases in-house to the authority's Standards and Complaints Manager, with no current proposals to outsource this work. The time taken to operate the code of conduct is absorbed into existing workloads, and costs including the recruitment and payment of the Independent Persons posts, maintaining the register of interests, holding the training sessions and undertaking the review, are all being met from existing resources.

Finance Officer Consulted: Peter Francis

Date: 30/10/13

Legal Implications:

- 6.2 There are no legal implications arising from the recommendations in the report.

Lawyer Consulted:

Elizabeth Culbert

Date: 14/10/13

Equalities Implications:

- 6.3 There are no equalities implications arising from this report.

Sustainability Implications:

- 6.4 The streamlined investigations process and ability to resolve complaints without a formal hearing will reduce the number of meetings, time and paperwork that is required to achieve a satisfactory conclusion of the complaint.

Any Other Significant Implications:

- 6.5 None

SUPPORTING DOCUMENTATION

Appendices:

Appendix 1: Openness and Transparency on Personal Interests – A Guide for Council



Department for
Communities and
Local Government

Openness and transparency on personal interests

A guide for councillors

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September 2013

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The Guide

This guide on personal interests gives basic practical information about how to be open and transparent about your personal interests. It is designed to help councillors, including parish councillors, now that new standards arrangements have been introduced by the Localism Act 2011¹.

Why are there new rules?

Parliament has abolished the Standards Board regime and all the rules under it. It has done this because that centrally-imposed, bureaucratic regime had become a vehicle for petty, malicious and politically-motivated complaints against councillors. Rather than creating a culture of trust and openness between councillors and those they represent, it was damaging, without justification, the public's confidence in local democratic governance.

The new standards arrangements that Parliament has put in place mean that it is largely for councils themselves to decide their own local rules. It is essential that there is confidence that councillors everywhere are putting the public interest first and are not benefiting their own financial affairs from being a councillor. Accordingly, within the new standards arrangements there are national rules about councillors' interests.²

Such rules, in one form or another, have existed for decades. The new rules are similar to the rules that were in place prior to the Standards Board regime. Those rules, originating in the Local Government Act 1972 and the Local Government and Housing Act 1989, involved local authority members registering their pecuniary interests in a publicly available register, and disclosing their interests and withdrawing from meetings in certain circumstances. Failure to comply with those rules was in certain circumstances a criminal offence, as is failure to comply in certain circumstances with the new rules.

Does this affect me?

Yes, if you are an elected, co-opted, or appointed member of:

- a district, unitary, metropolitan, county or London borough council
- a parish or town council
- a fire and rescue authority
- a transport or other joint authority
- a combined authority or an economic prosperity board
- the London Fire and Emergency Planning Authority
- the Broads Authority

¹ The Guide should not be taken as providing any definitive interpretation of the statutory requirements; those wishing to address such issues should seek their own legal advice.

² The national rules are in Chapter 7 of the Localism Act 2011 and in the secondary legislation made under the Act, particularly in The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 (S.I. 2012/1464).

- a National Park authority
- the Greater London Authority
- the Common Council of the City of London
- the Council of the Isles of Scilly

How will there be openness and transparency about my personal interests?

The national rules require your council or authority to adopt a code of conduct for its members and to have a register of members' interests.

The national rules require your council's code of conduct to comply with the Seven Principles of Public Life, and to set out how, in conformity with the rules, you will have to disclose and register your pecuniary and your other interests. Within these rules it is for your council to decide what its code of conduct says. An illustrative text for such a code is available on the Department's web site.³

Your council's or authority's monitoring officer (or in the case of a parish council the monitoring officer of the district or borough council) must establish and maintain your council's register of members' interests. Within the requirements of the national rules it is for your council or authority to determine what is to be entered in its register of members' interests.

What personal interests should be entered in my council's or authority's register of members' interests?

Disclosable pecuniary interests, and any other of your personal interests which your council or authority, in particular through its code of conduct, has determined should be registered.

Any other of your personal interests which you have asked the monitoring officer, who is responsible for your council's or authority's register of members' interests, to enter in the register.

As explained in the following section, your registration of personal interests should be guided by your duty to act in conformity with the seven principles of public life. You should ensure that you register all personal interests that conformity with the seven principles requires. These interests will necessarily include your membership of any Trade Union.

What must I do about registering my personal interests?

Under your council's code of conduct you must act in conformity with the Seven Principles of Public Life. One of these is the principle of integrity – that 'Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in

³ <https://www.gov.uk/government/publications/illustrative-text-for-local-code-of-conduct--2>

order to gain financial or other material benefits for themselves, their family, or their friends. **They must declare and resolve any interests and relationships.**⁴.

Your registration of personal interests should be guided by this duty and you should give the monitoring officer who is responsible for your council's or authority's register of members' interests any information he or she requests in order to keep that register up to date and any other information which you consider should be entered in the register.

All sitting councillors need to register their declarable interests – both declarable pecuniary interests, and other interests that must be declared and registered as required by your authority's code, or your duty to act in conformity with the Seven Principles of Public Life, such as your membership of any Trade Union. Any suggestion that you should tell the monitoring officer about your pecuniary interests only in the immediate aftermath of your being elected is wholly incompatible with this duty, with which you must comply.

If you have a disclosable pecuniary interest which is not recorded in the register and which relates to any business that is or will be considered at a meeting where you are present, you must disclose⁵ this to the meeting and tell the monitoring officer about it, if you have not already done so, so that it can be added to the register. You must tell the monitoring officer within 28 days of disclosing the interest. For this purpose a meeting includes any meeting of your council or authority, of its executive or any committee of the executive, and of any committee, sub-committee, joint committee or joint sub-committee of your authority.

If you have a disclosable pecuniary interest which is not shown in the register and relates to any business on which you are acting alone, you must, within 28 days of becoming aware of this, tell the monitoring officer about it, if you have not already done so, so that it can be added to the register. You must also stop dealing with the matter as soon as you become aware of having a disclosable pecuniary interest relating to the business.

When you are first elected, co-opted, or appointed a member to your council or authority, you must, within 28 days of becoming a member, tell the monitoring officer who is responsible for your council's or authority's register of members' interests about your disclosable pecuniary interests. If you are re-elected, re-co-opted, or reappointed a member, you need to tell the monitoring officer about only those disclosable pecuniary interests that are not already recorded in the register.

What are pecuniary interests?

A person's pecuniary interests are their business interests (for example their employment, trade, profession, contracts, or any company with which they are associated) and wider

⁴ <http://www.public-standards.gov.uk/about-us/what-we-do/the-seven-principles/>

⁵ If the interest is a sensitive interest you should disclose merely the fact that you have such a disclosable pecuniary interest, rather than the interest. A sensitive interest is one which the member and the monitoring officer, who is responsible for the register of members' interests, consider that disclosure of its details could lead to the member, or a person connected to the member, being subject to violence or intimidation.

financial interests they might have (for example trust funds, investments, and assets including land and property).

Do I have any disclosable pecuniary interests?

You have a disclosable pecuniary interest if you, or your spouse or civil partner, have a pecuniary interest listed in the national rules (see annex). Interests or your spouse or civil partner, following the approach of the rules under the 1972 and 1989 Acts, are included to ensure that the public can have confidence that councillors are putting the public interest first and not benefiting the financial affairs of themselves or their spouse or civil partner from which the councillor would stand to gain. For this purpose your spouse or civil partner includes any person with whom you are living as husband or wife, or as if they were your civil partner.

Does my spouse's or civil partner's name need to appear on the register of interests?

No. For the purposes of the register, an interest of your spouse or civil partner, which is listed in the national rules, is **your** disclosable pecuniary interest. Whilst the detailed format of the register of members' interests is for your council to decide, there is no requirement to differentiate your disclosable pecuniary interests between those which relate to you personally and those that relate to your spouse or civil partner.

Does my signature need to be published online? Won't this put me at risk of identity theft?

There is no legal requirement for the personal signatures of councillors to be published online.

Who can see the register of members' interests?

Except for parish councils, a council's or authority's register of members' interests must be available for inspection in the local area, and must be published on the council's or authority's website.

For parish councils, the monitoring officer who is responsible for the council's register of members' interests must arrange for the parish council's register of members' interests to be available for inspection in the district of borough, and must be published on the district or borough council's website.

Where the parish council has its own website, its register of members' interests must also be published on that website.

This is in line with the Government's policies of transparency and accountability, ensuring that the public have ready access to publicly available information.

Is there any scope for withholding information on the published register?

Copies of the register of members' interests which are available for inspection or published must not include details of a member's sensitive interest, other than stating that the member has an interest the details of which are withheld. A sensitive interest is one which the member and the monitoring officer, who is responsible for the register of members' interests, consider that disclosure of its details could lead to the member, or a person connected to the member, being subject to violence or intimidation.

When is information about my interests removed from my council's register of members' interests?

If you cease to have an interest, that interest can be removed from the register. If you cease to be a member of the authority, all of your interests can be removed from the register.

What does having a disclosable pecuniary interest stop me doing?

If you are present at a meeting of your council or authority, of its executive or any committee of the executive, or of any committee, sub-committee, joint committee, or joint sub-committee of your authority, and you have a disclosable pecuniary interest relating to any business that is or will be considered at the meeting, you must not:

- participate in any discussion of the business at the meeting, or if you become aware of your disclosable pecuniary interest during the meeting participate further in any discussion of the business, or
- participate in any vote or further vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

In certain circumstances you can request a dispensation from these prohibitions.

Where these prohibitions apply, do I also have to leave the room?

Where your council's or authority's standing orders require this, you must leave the room. Even where there are no such standing orders, you must leave the room if you consider your continued presence is incompatible with your council's code of conduct or the Seven Principles of Public Life.

Do I need a dispensation to take part in the business of setting council tax or a precept?

Any payment of, or liability to pay, council tax does not create a disclosable pecuniary interest as defined in the national rules; hence being a council tax payer does not mean that you need a dispensation to take part in the business of setting the council tax or precept or local arrangements for council tax support.

If you are a homeowner or tenant in the area of your council you will have registered, in accordance with the national rules, that beneficial interest in land. However, this disclosable pecuniary interest is not a disclosable pecuniary interest in the matter of setting the council tax or precept since decisions on the council tax or precept do not materially affect your interest in the land. For example, it does not materially affect the value of your home, your prospects of selling that home, or how you might use or enjoy that land.

Accordingly, you will not need a dispensation to take part in the business of setting the council tax or precept or local arrangements for council tax support, which is in any event a decision affecting the generality of the public in the area of your council, rather than you as an individual.

When and how can I apply for a dispensation?

The rules allow your council or authority in certain circumstances to grant a dispensation to permit a member to take part in the business of the authority even if the member has a disclosable pecuniary interest relating to that business. These circumstances are where the council or authority considers that:

- without the dispensation so great a proportion of the council or authority would be prohibited from participating in that business as to impede the council's or authority's transaction of that business,
- without the dispensation the representation of different political groups dealing with that business would be so upset as to alter the likely outcome of any vote,
- the granting of the dispensation is in the interests of people living in the council's or authority's area,
- without the dispensation each member of the council's executive would be prohibited from participating in the business, or
- it is otherwise appropriate to grant a dispensation.

If you would like your council or authority to grant you a dispensation, you must make a written request to the officer responsible for handling such requests in the case of your council or authority.

What happens if I don't follow the rules on disclosable pecuniary interests?

It is a criminal offence if, without a reasonable excuse, you fail to tell the monitoring officer about your disclosable pecuniary interests, either for inclusion on the register if you are a newly elected, co-opted or appointed member, or to update the register if you are re-elected or re-appointed, or when you become aware of a disclosable pecuniary interest which is not recorded in the register but which relates to any matter;

- that will be or is being considered at a meeting where you are present, or
- on which you are acting alone.

It is also a criminal offence to knowingly or recklessly provide false or misleading information, or to participate in the business of your authority where that business involves a disclosable pecuniary interest. It is also a criminal offence to continue working on a matter which can be discharged by a single member and in which you have a disclosable pecuniary interest.

If you are found guilty of such a criminal offence, you can be fined up to £5,000 and disqualified from holding office as a councillor for up to five years.

Where can I look at the national rules on pecuniary interests?

The national rules about pecuniary interests are set out in Chapter 7 of the Localism Act 2011, which is available on the internet here:

<http://www.legislation.gov.uk/ukpga/2011/20/part/1/chapter/7/enacted>

and in the secondary legislation made under the Act, in particular The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 which can be found here:

<http://www.legislation.gov.uk/uksi/2012/1464/contents/made>

Annex A

Description of Disclosable Pecuniary Interests

If you have any of the following pecuniary interests, they are your **disclosable pecuniary interests** under the new national rules. Any reference to spouse or civil partner includes any person with whom you are living as husband or wife, or as if they were your civil partner.

- Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner, undertakes.
- Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992. The relevant period is the 12 months ending on the day when you tell the monitoring officer about your disclosable pecuniary interests following your election or re-election, or when you became aware you had a disclosable pecuniary interest relating to a matter on which you were acting alone.
- Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority –
 - under which goods or services are to be provided or works are to be executed; and
 - which has not been fully discharged.
- Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.
- Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.
- Any tenancy where (to your knowledge) –
 - the landlord is your council or authority; and
 - the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.

- Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where –
 - (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
 - (b) either –
 - the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
 - if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

Subject:	Internal Audit Progress Report 2013/14		
Date of Meeting:	19 November 2013		
Report of:	Executive Director of Finance and Resources		
Contact Officer:	Name:	Mark Dallen, Audit Manager	Tel: 29-1314
	Email:	mark.dallen@brighton-hove.gcsx.gov.uk	
Ward(s) affected:	All		

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

- 1.1 The purpose of this report is to update Members of the progress made against the Internal Audit Plan 2013/14, including outcomes of specific audit reviews completed and tracking of the implementation of recommendations.
- 1.2 The Audit and Standards Committee has a role in monitoring the activity and outcomes of internal audit work against the plan and receiving regular progress reports.
- 1.3 The report now includes information on the work undertaken by the Corporate Fraud Team.

2. RECOMMENDATIONS:

- 2.1 That the Committee notes the progress made in delivering the Annual Internal Audit Plan 2013/14.

3. BACKGROUND INFORMATION

- 3.1 The Accounts and Audit (England) Regulations 2011 require the Council to 'maintain an adequate and effective system for internal control in accordance with proper practices.' Proper practice is defined by Public Sector Internal Audit Standards.
- 3.2 The Internal Audit Strategy and Plan provides the framework to deliver this service ensuring the most appropriate use of internal audit resources to provide assurance on the Council's control environment and management of risks.
- 3.3 The Audit Plan sets out an annual schedule of those systems including core financial systems, governance frameworks, IT audits and other key operational systems.
- 3.4 Amendments to the plan are approved by the Executive Director of Finance and Resources and are reported as part of this monitoring report.

4. PROGRESS AGAINST THE AUDIT PLAN

- 4.1 A total of 18 reports now been finalised for the year to date. The 7 finalised since the last meeting are.

Final Audit Reports	Assurance Opinion*	Number of Recommendations (High and Medium Priority)
Schools Financial Services - Central Reconciliations and SFVS	Substantial	1
Use of Consultants and Agency Workers	Substantial	1
Discretionary Funds	Substantial	2
Extra Care	Substantial	1
Housing Locata System- IT Application Audit	Reasonable	11
Electronic Document Records Management (IDox) – IT Application Audit	Reasonable	11
Members Allowances	Substantial	1

Note.* A definition of the Assurance Opinions given is provided in Appendix 1.

- 4.2 In addition there are 16 reviews where draft reports have been issued and are in the process of being finalised.
- 4.4 The total of draft and final reports is 34 at this point of the year which represents 31% of the approved audit plan. Another 20 audit reviews are underway.
- 4.5 An appointment has now been made to a vacant position in the team (expected start date December 2013) but there is one member of the team on long term sick leave.

5. CHANGES TO THE APPROVED AUDIT PLAN.

- 5.1 In consultation with the Executive Director of Finance and Resources a number of reductions to this years audit plan are proposed. These are detailed below and include some adjustments to the ICT audit programme and where audits repeat those carried out in 2012/13. These changes will not impact significantly on audit coverage and will assist in balancing audit resources to plan requirements. In total the changes remove 104 days from this years audit plan.

Audit Title	Reason for plan amendment
Whistleblowing	This was covered by a Human Resources review reported to this Committee in September 2013.
Public Services Network (The Link)	This was reviewed in 2012/13 and report November 2012 with Substantial Assurance given. A review of the contract management arrangements will be scheduled for the first quarter of 2014/15.
Direct Payments	Direct Payments and Personal Budgets for Adult Social Care was audited in both 2011/12 and 2012/13 and Reasonable Assurance given. An audit will be scheduled for 2014/15. An audit of Direct

	Payments and Personal budgets for Children's Services is in progress at the current time.
Personal Budgets	Comments as per above
Street Cleansing	Rescheduled for 2014/15. Operational reasons
Employee Overtime and Allowances	This audit has been rescheduled for earlier 2014/15 to allow the Pay Modernisation changes to embed.
Homecare	Duplicates 2012/13 review which gave Reasonable Assurance. Rescheduled for 2014/15
Local Area Network (LAN)	Rescheduled for 2014/15 to assist with IT workload.

6. Corporate Fraud Team Work

6.1 Outcomes for housing benefit fraud for the year to date are:-

Outcome	Year to Date	This Period
Prosecutions	21	3
Cautions	2	1
Administration Penalties	10	2
Overpayments	£621,809	£268,739

6.2 With regard to housing tenancy fraud the position is as follows:-

Outcome	Year to Date	This Period
Housing Stock returned	5	0

6.3 In addition to the above one housing association property was identified as being unoccupied in the course of a housing benefit fraud investigation. This has now been returned to the housing associations' stock.

6.4 One member of staff was dismissed for benefit fraud.

National Fraud Initiative Update

6.5 The council has once again participated in the National Fraud Initiative. This is a national data matching exercise that is carried out by the Audit Commission. The council is legally obliged to supply the data and is required by law to protect the public funds it administers.

6.6 The exercise has now resulted in £207,000 in overpayments being identified for the year to date." This figure is split as follows creditors £1,662 Private residential Care Home Payments £15,590 and Housing Benefits £190,000.

6.7 The National Fraud Initiative is usually conducted every two years. However there is now a facility whereby council's can now submit some datasets on a more regular basis via a flexible data matching service. The benefits of using this facility are currently being appraised.

7. IMPLEMENTATION OF RECOMMENDATIONS

- 7.4 Since last reported we have issued 7 Implementation Reports and followed-up on a total of 102 recommendations. The results of this exercise are summarised below.

Number of Recommendations Followed Up (Year to Date)	Implemented*	% Compliance
105	83	79%

* Includes both fully implemented and part implemented

- 7.5 Where recommendations have not been implemented further action is being considered on a case by case basis.

8. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 8.1 It is expected that the Internal Audit Plan for 2013/14 will be delivered within existing budgetary resources. Progress against the Annual Internal Audit Plan and action taken in line with recommendations support the robustness and resilience of the councils practices and procedures and support the councils overall financial position.

Finance Officer Consulted: James Hengeveld

Date: 22/10/2013

Legal Implications:

- 8.2 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.

Lawyer Consulted: Oliver Dixon

Date: 22/10/2013

Equalities Implications:

- 8.3 There are no direct equalities implications arising directly from this report

Sustainability Implications:

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

Crime & Disorder Implications:

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

Risk and Opportunity Management Implications:

- 8.6 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.

Corporate / Citywide Implications:

- 8.7 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. Internal Audit Report Assurance Levels: Definitions

Background Documents

1. Internal Audit Plan 2013/14
2. Public Sector Internal Audit Standards
3. Accounts and Audit Regulations 2011

APPENDIX 1.

Internal Audit Report Assurance Opinions: Definitions

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

Subject:	Ernst & Young - 2012/13 Annual Audit Letter		
Date of Meeting:	19 November 2013		
Report of:	Ernst & Young		
Contact Officer:	Name:	Helen Thompson	Tel: 07974 007332
	Email:	HThompson2@uk.ey.com	
Ward(s) affected:	All		

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

- 1.1 The purpose of the Annual Audit Letter is to communicate to the Members of the Council and external stakeholders, including members of the public, the key issues arising from our work which we consider should be brought to their attention.
- 1.2 Detailed findings from our 2012/13 audit have already been reported to the 24 September meeting of the Committee in our 2012/13 Audit Results Report. The matters reported in the Annual Audit Letter are the most significant for the Council.

2. RECOMMENDATIONS:

- 2.1 To consider the 2012/13 Annual Audit Letter and ask questions as necessary.

Brighton & Hove City Council Annual Audit Letter

Year ending 31 March 2013

October 2013

Ernst & Young LLP



Private and confidential

Brighton & Hove City Council
King's House
Grand Avenue
Hove
BN3 2LS

1 October 2013

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Brighton & Hove City Council and external stakeholders, including members of the public, the key issues arising from our work which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to the Audit & Standards Committee in our 2012/13 Audit Results Report issued on 24 September 2013.

The matters reported here are the most significant for the Council.

I would like to take this opportunity to thank the officers of the Council for their assistance during the course of our work.

Yours faithfully



Helen Thompson
Director
For and behalf of Ernst & Young LLP
Enc

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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's 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.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - 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, you may take the issue up with your usual partner or director contact. 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. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan issued on 16 April 2013 and conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement, in which it reports publicly on the extent to which it complies with its own code of governance. This includes how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period. It is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Brighton & Hove City Council for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland)	On 26 September 2013 we issued an unqualified audit opinion for the Council.
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	On 26 September 2013 we issued an unqualified value for money conclusion.
Issue a report to those charged with the governance of the Council (the Audit & Standards Committee) communicating significant findings from our audit.	On 26 September 2013 we issued our report for the Council.
Report to the National Audit Office on the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 26 September 2013.
Consider the completeness of disclosures in the Annual Governance Statement, identify any inconsistencies with other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.

Consider whether, in the public interest, we should make a report on any matter coming to our notice during the audit.	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	No issues to report.
Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	On 26 September 2013 we issued our audit completion certificate.
Issue a report to those charged with the governance of the Council summarising our certification (grant claims and returns) work.	We plan to issue our annual certification report for 2012/13 to those charged with governance in January 2014 when work in this area is complete.

2. Key findings

2.1 Financial statement audit

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 26 September 2013.

In our view, the quality of the process for producing the accounts, including the supporting working papers remained good.

We identified no significant risks impacting on the audit of the financial statements. Our main findings in relation to the areas of other financial statement risk are set out below.

Other financial statement risks:

Bank reconciliations

A small number of issues were identified in the Council's 2011/12 year end processes to reconcile its bank accounts and other cash balances. As part of our 2012/13 work to walk-through the cash and bank system we also identified an unreconciled difference between the housing benefit bank balance in the cash management system and the balance shown in the bank statement.

Findings

We are satisfied these issues have been addressed subject to a very small remaining difference on the general account reconciliation.

New long term asset and lease accounting system

The Council has changed the system it uses to record and account for long term assets and leases during 2012/13. As part of work needed to implement the new system the Council transferred and reconciled closing 2011/12 balances between the old and new systems.

Findings

We reviewed the transfer and reconciliation of closing 2011/12 balances between the old and new systems to ensure that balances have been brought forward correctly to 2012/13 in the new system. This work identified no issues.

Payroll

In previous years both external and internal audit have reported significant weaknesses in the internal control environment within the payroll system. Weaknesses in the control environment were further exacerbated by the inherent complexity of the Council's payroll.

Findings

During the year the Council has worked to simplify its payroll as part of its pay modernisation agenda, and improve the operation of controls. This work has been actively considered by senior officers, the Audit & Standards Committee and internal audit. We tested payroll transactions to gain assurance for our opinion on the 2012/13 financial statements. Although we did not identify material errors, our work confirmed that the payroll remains highly complex, particularly in terms of the number of different allowances payable. This increases the risk of both error and fraud occurring. The implementation of a simplified system of allowances through pay modernisation in 2013/14 will simplify the payroll and should help to mitigate this risk. We would also like to recognise the good level of assistance to the audit provided by People Centre officers at a very busy time.

Journals processed on the general ledger

External audit has identified in previous years that manual adjustment journals processed on the general ledger are not always subject to formal checking and authorisation. This creates a risk that income and expenditure is misclassified on the general ledger and misreported the financial statements. The Council introduced controls to address this issue.

Findings

We tested the authorisation control established over high risk or more complex journals and found it to be operating effectively. We also used our computer-based analytics tool to support our substantive testing of journals. We considered the output from our interrogation of journals, followed up outliers and unusual trends and tested a sample of journals using a risk-based approach. Our work in this area identified no errors or other issues.

Pensions disclosures in the financial statements

The Council participates in the local government pension scheme administered locally by East Sussex County Council. Some weaknesses in arrangements to process entries in the financial statements have been raised in previous reports to those charged with governance.

Findings

Our work found some improvements have been made to arrangements in this area. However, the Council recognises there remains scope to continue to improve its processes.

Risk of misstatement due to fraud and error

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Findings

We identified no material misstatements or evidence of material fraud. We do, however, continue to note that the high level of complexity of payroll increases the risk of undetected fraud and error occurring in this area.

2.2 Value for money conclusion

We are required to carry out enough work to conclude whether the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012/13 our conclusion was based on two criteria:

- ▶ the organisation has proper arrangements for securing financial resilience; and
- ▶ it has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 26 September 2013

2.2.1 Financial Resilience

The Council has continued to use its 'Targeted Budget Management' approach to monitor financial performance and has a good track record of maintaining its spending within budget. The 2012/13 out turn position reported for the General Fund is an under-spend of £4.610 million compared to £4.513 million assumed at budget setting time. The out turn for the Housing Revenue Account is an under-spend of £1.963 million and the out turn for the Dedicated Schools Grant is an under-spend of £1.089 million. The overall level of under-

spending delivered in 2012/13 slightly out performs the target level of under-spending for the year set out in the Council's medium term financial plans.

The Council has set out its key priorities for the period 2011-2015 in its corporate plan. The corporate plan is supported by a medium term financial strategy (MTFS) which is updated annually as part of the budget setting process. The Council has also updated its broader governance arrangements to address the significant changes arising from the Localism Act 2011, including the general power of competence and the abolition of the Standards Board regime.

During the year a refresh of the MTFS was undertaken which now extends to 2018/19. The refresh considers the impact of the 2013/14 budget settlement and the very significant financial challenges facing the Council over the next six years. In setting its 2013/14 budget the Council has recognised that a number of 2014/15 proposals have needed to be fast-tracked to maintain a sustainable financial position. It also recognises that, unless cost pressures can be effectively managed, it is unlikely to be able to sustain support for all services in their current form over the medium term.

2.2.2 Economy, efficiency and effectiveness

The Council has a well established value for money programme and a good track record of delivering its planned savings that has continued into 2012/13. It also makes effective use of cost and performance information to assess the impact of spending decisions and monitor the delivery of its savings plans, and to help ensure spending cuts are not having detrimental impact on service quality and performance in priority areas

However, available comparative data suggests that the Council remains high spending compared to its statistical nearest neighbours. This is true for both its overall per capita spending, and per capita spending in each of its main service areas. Spending is decreasing in the majority of areas but not at a faster rate than at statistically similar authorities. The Council intends to use this information, alongside other benchmarking carried out, to inform its ongoing work to improve the value for money it delivers. Benchmarking is routinely used by the Council to ensure that the areas of higher spend match Council priorities and also considers authorities that may have more similar characteristics to the Council outside the statistical nearest neighbour group, such as some London boroughs.

2.3 Whole of government accounts

The Council is required to prepare a consolidation pack for the whole of government accounts. On 26 September we reported to the National Audit office the results of our work on its accuracy.

We found that the consolidation pack was consistent with the statutory financial statements but we reported one unadjusted error of approximately £2 million. Our sample testing of creditors in the statutory accounts identified an over-accrual. The amount reported is the extrapolated value of the over-accrual. The Council did not adjust the statutory accounts or the consolidation pack as the estimated impact is not material and was based on an extrapolation only.

2.4 Annual governance statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA/SOLACE guidance. We completed this work and did not identify any areas of concern.

2.5 Certification of grants claims and returns

We intend to present our Annual Certification Report for 2012/13 to those charged with governance in January 2014 when our work on 2012/13 grant claims is complete.

3. Control themes and observations

As part of our audit of the financial statements, we obtained sufficient understanding of internal control to plan our audit and determine the nature, timing and extent of testing. Our audit was not designed to express an opinion on the effectiveness of internal control. We are, however, required by auditing standards to communicate any significant deficiencies detected to those charged with governance. We identified no significant deficiencies in internal control as part of our audit.

We identified and reported one other issue in our audit results report. We undertook work during the year to gain an understanding of the Council's material contracts. Our work highlighted that the Council did not have a complete or up to date master register of all its contracts. Some records were maintained by both the Council's legal and procurement teams but neither was fully complete. We raised a recommendation in this area and a record of all contracts over £75,000 requiring the corporate seal at the end of 2012/13 has now been established by legal services. This has also prompted the Council to reconsider the current requirement for all contracts over £75,000 to require the corporate seal and it is likely to increase this threshold level.

4. Audit fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010.

The fee for the additional Code work shown in the table below relates to a review of a proposed severance case in October 2012 at the Council's request.

	Final fee 2012/13 £'000	Planned fee 2012/13 £'000	Scale fee 2012/13 £'000	Explanation of variance
Total Audit Fee – Code work	210,330	210,330	210,330	-
Certification of claims and returns	23,700*	23,700	23,700	-
Additional Code work	933	-	-	Review of a proposed severance case

**Our fee for certification of grants and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance in January 2014 within the Audit Certification Report for 2012/13.*

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Subject:	Ernst & Young - Audit Progress Report and Sector Update		
Date of Meeting:	19 November 2013		
Report of:	Ernst & Young		
Contact Officer:	Name:	Helen Thompson	Tel: 07974 007332
	Email:	HThompson2@uk.ey.com	
Ward(s) affected:	All		

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

- 1.1 We ask the Committee to consider our audit progress report. We have also attached our most recent sector briefing outlining current issues and developments affecting local government for members' information

2. RECOMMENDATIONS:

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

Brighton & Hove City Council

Audit & Standards Committee Progress Report

19 November 2013



Audit & Standards Committee
Brighton & Hove City Council
Kings House
Grand Avenue
Hove
BN3 2LS

19 November 2013

Audit Progress Report

We are pleased to attach our Audit Progress Report.

It sets out the work we have completed since our last report to the Committee. Its purpose is to provide the Committee with an overview of the 2012/13 audit, and an outline of our plans for the 2013/14 audit. This Progress Report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Helen Thompson
Director
For and behalf of Ernst & Young LLP

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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's 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.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – 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, you may take the issue up with your usual partner or director contact. 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. We can provide further information on how you may contact our professional institute.

Work completed: 2012/13

Financial Statements

On 26 September 2013 we issued an unqualified audit opinion on the Council's financial statements. Detailed issues arising from our work were presented to the 24 September meeting of the Committee in our audit results report.

Value for money assessment

On 26 September 2013 we issued an unqualified value for money conclusion. Detailed issues arising from our work were presented to the 24 September meeting of the Committee in our audit results report.

Whole of government accounts

On 26 September 2013 we reported to the National Audit Office the results of our work performed in relation to the accuracy of the Council's consolidation schedules. We found that the consolidation pack was consistent with the statutory financial statements but we reported one unadjusted error of approximately £2 million. The Council did not adjust the statutory accounts or the consolidation pack as the estimated impact is not material and was based on an extrapolation only.

Annual Audit Letter

We are presenting our Annual Audit Letter to today's Committee meeting.

Grant claim certification

We certified your national non-domestic rate claim and pooling of housing capital receipts return before the deadline of the end of September. We are currently auditing your housing benefit subsidy claim and teachers' pensions return which have a certification deadline of the end of November..

We plan to issue our annual report on the certification of claims and returns providing more details on the work undertaken and our detailed findings to the January meeting of the Committee. This will complete our work on the 2012/13 audit.

Audit Progress for 2012/13

Progress against key deliverables			
Key deliverable	Timetable in plan	Status	Comments
Fee Letter	December 2012	Completed	Reported to the January 2013 meeting of the Audit & Standards Committee.
Audit Plan	January – April 2013	Completed	Reported to the April 2013 meeting of the Audit & Standards Committee.
Reports to Those Charged with Governance	September 2013	Completed	Reported to the September 2013 meeting of the Audit & Standards Committee.
Audit Reports (including opinion, vfm conclusion)	September 2013	Completed	Issued on 26 September 2013
Audit Certificate	September 2013	Completed	Issued on 26 September 2013.
WGA submissions to NAO	September 2013	Completed	Issued on 26 September 2013.
Annual Audit Letter	October 2013	Completed	Reported to the November 2013 meeting of the Audit & Standards Committee.
Report on the audit of Grant Claims	January 2014	Work ongoing	To be reported to the January 2014 meeting of the Audit & Standards Committee.

2013/14 audit

Fee letter

We issued our 2013/14 fee letter to the April 2013 meeting of the Audit & Standards Committee.

Financial Statements

We adopt a risk based approach to the audit and as part of our ongoing continuous planning we regularly meet with key officers and other stakeholders:

- We met the Chief Executive and Director of Finance and Resources on 7 October as part of our programme of regular quarterly meetings to discuss our work and current issues and developments at the Council.
- We met Central Accounting officers on 6 November to evaluate the 2012/13 accounts production and audit process. We will continue to work with those officers to refine and improve arrangements for 2013/14 and arrive at a shared understanding of key deliverables early in the process.
- We plan to meet Internal Audit before Christmas to ensure that a properly integrated approach is taken to audit work at the Council.

Our work to identify the Council's material income and expenditure systems and to walk through these systems and controls is planned in January and February 2014. The detailed testing of the controls and critical path of each material system is planned for March 2014. We will maximise the reliance we place on the work of Internal Audit to support our work in this area.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries and payroll..

Value for money

The Audit Commission has now issued its guidance on the 2013/14 value for money conclusion. The full guidance can be found at <http://www.audit-commission.gov.uk/technicaldirectory/vfm1314/>.

There are no planned changes to the approach in 2013/14. We will carry out our initial risk assessment in the new calendar year and report the risks we have identified and associated work we will carry out in our detailed audit plan.

Timetable: 2013/14

Audit & Standards Committee Timeline

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2013/14 Audit Committee cycle.

We will provide formal reports to the Governance and Audit Committee throughout our audit process as outlined below.

Audit phase	Timetable	Deliverables
High level planning:	November	Audit Fee Letter
Risk assessment and setting of scope of audit	January - March	Audit Plan
Testing of routine processes and controls	March – April	Audit Plan
Year-end audit	July - September	<ul style="list-style-type: none"> ▶ Report to those charged with governance ▶ Audit report on the financial statements and value for money conclusion ▶ Audit Completion certificate ▶ Whole of government accounts
Reporting	October	Annual Audit Letter
Grant Claims	September - December	Annual certification report

In addition to the above formal reporting and deliverables we provided practical business insights and updates on regulatory matters through our Sector Briefings. The latest version of the Briefing is included as an attachment to this report.

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Local Government Audit Committee briefing

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Accounting, auditing and governance

Regulation news

Find out more

Introduction

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Building a better
working world



Sector and economic news

Proposals for the use of capital receipts from asset sales to invest in reforming services

On 25 July 2013 the Government launched a consultation on 'Proposals for the use of capital receipts from asset sales to invest in reforming services'. The consultation aimed to gather views from the Local Government sector on proposals to allow part or even the whole of a capital receipt from new asset sales to be used for one-off revenue purposes.

The broad aims of the proposed policy are to:

- ▶ Encourage good asset management planning and incentivise the appropriate sale of local authority assets so that they are put into productive use and support growth.
- ▶ To enable additional resources, from local authority asset sales, to give a capital receipt flexibility for the one-off cost of reforming, integrating or restructuring services.

Views were sought to gauge the level of support for the proposed policy, as well as comments on how it would work in practice and the mechanisms for delivery.

A competitive bidding process is the preferred mechanism for approving such use of capital receipts. It is proposed that any application under a bid based process should set out a cost/benefit analysis to demonstrate value for money.

The criteria to evaluate competing applications from local authorities could include:

- ▶ Amount of expenditure and proposed use of that revenue
- ▶ The reduction of ongoing/long-term costs
- ▶ How you plan to transform your services
- ▶ Working across the wider public sector
- ▶ Asset to be sold
- ▶ Possible forward use of an asset

The consultation also considered how any approved proposals would be implemented, highlighting two possible methods:

- ▶ A Direction from the Secretary of State, allowing specified revenue expenditure to be treated as capital expenditure
- ▶ Through the existing provisions in The Local Authorities (Capital Finance and Accounting) Regulations 2003 (SI: 2003/3146).

The preferred option set out in the consultation documented is through a letter of Direction from the Secretary of State, as this would more closely fit with the competitive bid process.



Sector and economic news

The consultation closed on 24 September, and it is expected that there will be a response to the consultation in Autumn setting out the finalised proposals. The indicative timeline set out in the consultation document is set out below.

Event	Timing
Bid process commences	Winter 2013
Bid process decisions	Spring 2014
Direction letter issued	Spring 2014
Disposal of Asset	August 2013-March 2016
Revenue Expenditure	April 2015-March 2016

Economic outlook

The ITEM Club, one of the UK's foremost independent economic forecasting groups, sponsored by EY, published its Autumn Forecast in October 2013. It recognises that the UK economy is improving with GDP now projected to grow by 1.4% this year and 2.4% next year after a 0.1% rise in 2012. It notes that this is supported by the encouraging outlook for exports and business investment. It warns, however, that unforeseen events could disrupt this positive outlook, not least new external shocks such as the US budget deadlock. It believes that the view that the UK government's initiatives to support the housing market will result in a housing bubble is strongly overplayed. It states that the current rises in prices and transactions are from a historically very low base, and remain way below pre-crisis levels. With the housing recovery knocking on into wider consumer spending, and virtually all surveys of business confidence trending upwards, the economic outlook for the UK is continuing to brighten – despite the inevitable risks.



Accounting, auditing and governance

Audit Commission briefing on the Local Audit and Accountability Bill

On 4 September 2013 the Audit Commission released a briefing paper on the Local Audit and Accountability Bill, which is currently passing through Parliament.

The briefing provides an up-to-date view of where the Commission believes that amendments and refinements could further improve and strengthen the Bill.

Eight areas are identified in the briefing, where the Commission believes improvements to the bill could be made:

1. Including an option for optional collective procurement arrangements.
2. Strengthening the arrangements for the appointment of auditors, by having external members on audit committees rather than separate audit panels.
3. Expanding the data collected as part of the National Fraud Initiative.
4. Allowing more time to develop a proportionate audit regime for small bodies, by allowing current arrangements to be extended to 2020.
5. Ensuring that there continues to be central returns and publications to support accountability to Parliament and the public.
6. Including reporting on arrangements to secure value for money.
7. Updating the legislative framework governing local public audit.
8. Considering the transitional issues to the new regime, given that contracts under the current framework end in 2016/17 (with potential extensions to 2020), but the Commission, who manage the contracts, is due to be fully abolished in 2015.

Minimum Revenue Provision (MRP)

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) became effective from March 2008. These regulations replaced the formula-based method for calculating MRP which existed under previous regulations under the Local Government Act 2003. The new requirement was for an authority to:

'Determine for the current financial year an amount of minimum revenue provision which it considers to be prudent'.

No definition of 'prudent' was given, although DCLG issued statutory guidance in 2008, which authorities had to take account of, setting out their interpretation. This was updated in 2012 to take account of HRA self-financing and the implications of IFRS regarding PFI schemes. For authorities with a positive Capital Financing Requirement (CFR) the guidance set four out options, but indicated that any alternatives that met the basic criteria included within the statutory guidance was acceptable. The four options are briefly described below:

1. Regulatory Method (for expenditure incurred before 1st April 2008, and supported expenditure incurred after that date):
 - ▶ MRP is charged at 4% of the Authority's capital financing requirement (or underlying need to borrow for a capital purpose) which has been reduced by Adjustment A (calculated in 2004 under previous regulations).
2. CFR Method (for expenditure incurred before 1 April 2008, and supported expenditure incurred after that date):
 - ▶ MRP is simply charged at 4% of the Authority's capital financing requirement at the end of the preceding financial year (with no technical adjustment).



Accounting, auditing and governance

3. Asset Life Method (for unsupported capital expenditure incurred on or after 1st April 2008):
 - ▶ An MRP provision is made over the estimated life of the asset for which the borrowing (or other long-term financing) has been undertaken. This will be based either on the 'equal instalment method' or the 'annuity method'.
4. Depreciation Method (for unsupported capital expenditure incurred on or after 1st April 2008):
 - ▶ An MRP provision is calculated in accordance with the standard rules for calculating depreciation provision.

The use of a broad framework rather than the formulaic approach has resulted in incorrect interpretation and calculation of MRP at a number of authorities in the past. Our audit work during the last year identified examples where authorities were not following their own accounting MRP policy or were, in a number of cases, overstating the amount of MRP that they set aside. Detailed work at selected sites identified that these non-compliance and calculation errors had accumulated overstatements of MRP of more than £10mn which could be reversed. Similar in-depth reviews can be incorporated within the 2013/14 audit programmes.



Regulation news

Pensions Regulator to have oversight of public sector pensions

The 2013 Public Service Pensions Act which received royal assent in April afforded the Pensions Regulator an enhanced role – broadening its remit to include oversight of public sector pensions from April 2015. It will set standards of governance and administration for public sector schemes in response to the Independent Public Service Pensions Commission's 2011 recommendations make improvements to both of these areas.

The schemes include approximately 22,000 employers and 12.6mn members (2012 figures taken from the Pensions Regulator website), and span Local Government, NHS, Police, Fire, Teachers, Civil Service, Armed Forces and Judicial pension schemes.

The Pensions Regulator has published a report, together with the supporting research, which documents current practice in these eight categories of public sector pension schemes.

The Pensions Regulator has promised to 'take action if necessary' to ensure public sector pension schemes are run to high standards following government reforms that will see it assuming oversight of the public sector.

Following the passage of the 2013 Public Service Pensions Act the regulator will set standards of governance and administration for public sector schemes from April 2015 including Police and Fire.

On September 6, the Pensions Regulator produced a report summarising current practice in eight categories of civil service pension schemes.

The survey of current schemes found room for improvement but also highlighted areas of good practice.

Local Government Pension Scheme findings:

- ▶ The survey noted that governance and administration had been on the agenda for these schemes for several years, and that this was evident in the survey findings, which demonstrated greater awareness of these matters.
- ▶ Ninety eight percent had a governance board in place. The majority of schemes also had a risk register in place, with risks and internal controls being reviewed at least annually; a conflict of interests policy and a register of members' interests.
- ▶ Eighty one percent of LGPS arrangements are administered in-house and the majority have service standards which are documented and reported against.
- ▶ LGPS schemes when compared the others in the survey had the most active member communication.

The Regulator is now working on producing code of practice as well as the regulatory strategy, and has plans to monitor and report on the progress of public sector schemes each year.



Regulation news

Local Government Pension Scheme Structural Reform

In addition to the review of investment regulations noted in the previous sector update, a wide ranging consultation was announced by Brandon Lewis MP (Minister for Local Government) in a speech at the National Association of Pension Funds local authority conference in May 2013. The consultation was launched by DLG and the LGA in June 2013 and aimed to identify reforms that will both improve investment performance and reduce fund management costs, in advance of the implementation of the new scheme in April 2014.

The consultation closed at the end of September, and the analysis of submissions is expected to inform a further consultation on options for change, which is to be released in early 2014.

At the same time, further detail has been provided about the proposed governance arrangements for the new LGPS in the DCLG discussion paper 'Local Government Pension Scheme (England and Wales) New Governance arrangements, also issued in June 2013.

The paper set out the proposed response to five specific sections of the Public Service Pensions Act 2013 which impact on the governance arrangements of the new scheme:

1. Responsible authority
2. Scheme manager
3. Pension board
4. Pension board information
5. Scheme Advisory board

The intention is for new regulations to be in place before April 2014, which will require new scheme advisory boards and local pension boards to become operational later in the year. In the intervening period between the commencement of the new LGPS scheme and the governing bodies becoming operational, existing governance arrangements under Section 101 of the Local Government Act 1972 will continue to apply.

This consultation closed at the end of August.



Find out more

To find out more on the articles above, please follow the links below:

Proposals for the use of capital receipts from asset sales to invest in reforming services

Full details can be found at:
<https://www.gov.uk/government/consultations/proposals-for-the-use-of-capital-receipts-from-asset-sales-to-invest-in-reforming-services>.

Economic outlook

For the full analysis go to:
<http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Audit Commission briefing on the Local Audit and Accountability Bill

The full briefing can be found at:
<http://www.audit-commission.gov.uk/2013/09/public-briefing-on-the-local-audit-and-accountability-bill/>

Minimum Revenue Provision

For more information, please see the DCLG guidance at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/11297/2089512.pdf
For more details on calculating MRP, please refer to Chapter 6 of the Practitioners' Guide to Capital Finance in Local Government (CIPFA 2008).

For details on incorporating a more in-depth review of MRP into your 2013/14 audit programmes, contact your audit team.

Pensions Regulator to have oversight of public sector pensions

For more information see the Pensions Regulator website at:
<http://www.thepensionsregulator.gov.uk/index.aspx>
and the civil service pension schemes report at:
<http://www.thepensionsregulator.gov.uk/docs/public-service-research-summary.pdf>

Local Government Pension Scheme Structural Reform:

For further detail on the consultation, and to view all available consultations and consultation outcomes within the Local Pension series please visit:
<https://www.gov.uk/government/organisations/department-for-communities-and-local-government/series/local-government-pensions>

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Subject:	Targeted Budget Management (TBM) 2013/14 Month 5		
Date of Meeting:	19 November 2013		
Report of:	Executive Director of Finance & Resources		
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 5 on the council's revenue and capital budgets for the financial year 2013/14.

2. RECOMMENDATIONS:

- 2.1 That the Committee note the report to the Policy & Resources Committee on 17 October 2013 (Appendix 1) and the subsequent recommendations and resolution.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The detailed position as at Month 5 is provided in the TBM report to the Policy & Resources Committee on 17 October 2013 (Appendix 1).
- 3.2 The 2013/14 revenue budget contains substantial and challenging savings targets and for this reason the level of risk provisions provided for in the budget were increased to £1.5m. The use of these risk provisions has not been assumed in the forecast position as at Month 5. The report indicates that risk provisions will be reviewed at Month 7 when expenditure trends for the year will be firmer. Details of all risks provisions and contingencies can be found under 'Corporate Budgets' in Appendix 1 of the TBM report.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS:

- 4.1 None directly in relation to this report. Implications relating to TBM Month 5 are detailed in the report to the Policy & Resources Committee on 17 October 2013 (Appendix 1).

5. COMMUNITY ENGAGEMENT AND CONSULTATION

- 5.1 Detailed in the report to the Policy & Resources Committee on 17 October 2013 (Appendix 1).

6. CONCLUSION

- 6.1 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.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 None directly in relation to this report. Implications relating to TBM Month 5 are detailed in the report to the Policy & Resources Committee on 17 October 2013 (Appendix 1).

Legal Implications:

- 7.2 None directly in relation to this report. Implications relating to TBM Month 5 are detailed in the report to the Policy & Resources Committee on 17 October 2013 (Appendix 1).

Equalities Implications:

- 7.3 None directly in relation to this report. Implications relating to TBM Month 5 are detailed in the report to the Policy & Resources Committee on 17 October 2013 (Appendix 1).

Sustainability Implications:

- 7.4 None directly in relation to this report. Implications relating to TBM Month 5 are detailed in the report to the Policy & Resources Committee on 17 October 2013 (Appendix 1).

Risk and Opportunity Management Implications:

- 7.5 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. 17 October 2013 (Appendix 1).

SUPPORTING DOCUMENTATION

Targeted Budget Management (TBM) 2013/14 Month 5 Report & Appendices:

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

Documents in Members' Rooms:

None.

Background Documents

None.

Subject: Targeted Budget Management (TBM 5) - Extract from the Proceedings of the Policy & Resources Committee Meeting held on the 17 October 2013

Date of Meeting: 19 November 2013

Report of: Monitoring Officer

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

Wards Affected: All

POLICY & RESOURCES COMMITTEE

4.00 pm 17 October 2013
COUNCIL CHAMBER, HOVE TOWN HALL

DRAFT MINUTES

Present: Councillor J Kitcat (Chair); Councillors Littman (Deputy Chair), G Theobald (Opposition Spokesperson), Morgan (Group Spokesperson), Hamilton, Lepper, A Norman, Peltzer Dunn, Randall and West.

PART ONE**56. TARGETED BUDGET MANAGEMENT (TBM 5)**

- 56.1 The Executive Director for Finance & Resources introduced the report and noted that the report provided an update on the position previously reported to the Committee in June. There was a current projected overspend on the General Fund of £2.4m which had come down from £3.3m and officers were continuing to take action to reduce the deficit. She was pleased to report that there was a projected surplus for the Collection Fund but noted that it remained closely monitored by officers.
- 56.2 Councillor Littman welcomed the report and the direction of travel in regard to the overall reduction in the projected deficit at this point and wished to thank officers for their work across the various budget areas.
- 56.3 Councillor A. Norman welcomed the report and queried what the variance of £28k was listed on page 39 for Children's Services and whether the vacant post referred to on page 40 was likely to be filled in the near future. She also queried whether the ICT

overspend on age 57 could be managed and how the £1m risk associated with prescription costs had arisen.

- 56.4 The Assistant Director of Children's Services stated that it was hoped to address the variance of £28k which had resulted from difficulties in appointing social workers. However, twelve newly qualified social workers had been appointed from the 1st September and others were being short-listed with a view to appointments being made in the near future.
- 56.5 The Executive Director for Finance & Resources stated that the £1m risk identified in relation to Public Health was a result of contractual arrangements with GPs following the transfer of the public health budgets to the local authority. This was a situation that affected other local authorities and was due to be raised with Public Health England; however it was felt prudent to identify the risk at this stage. In regard to the ICT budget, she noted that it was hoped to achieve greater efficiencies as part of the value for money programme. However there were issues relating to security of applications etc and the implementation of the Workstyles programme which meant that the savings target may not be achieved in the current financial year.
- 56.6 Councillor Hamilton noted the report and welcomed the reduction on the projected overspend. He was concerned about the Public Health risk and the likelihood that the adult care budget was likely to remain overspent with more older people requiring care. In regard to the short-break provision for disabled children on page 69 he queried whether consideration had been given to using the facility at Hurstpierpoint.
- 56.7 The Assistant Director of Children's Services stated that he would look into the provision available at Hurstpierpoint and provide members of the committee with a briefing note on the situation and feasibility of using the facility.
- 56.8 Councillor G. Theobald asked for an update on where the funding achieved from the sale of the mayoral car's number plates was going and noted that income from off-street parking was under-achieving. He also queried whether the proposed temporary office at Horsdean Traveller site required planning permission and expressed his concern in relation to the future of the Volks Railway if a solution could not be found for the sheds.
- 56.9 The Executive Director for Environment, Development & Housing stated that off-street parking was being monitored and he was happy to meet with Councillor Theobald to discuss matters. In relation to the proposed temporary building at Horsdean, he would ensure that further information on the proposals was provided to Members as the situation was likely to change.
- 56.10 The Executive Director for Finance & Resources stated that officers were looking at funding options for the Volks Railway sheds and a Heritage Lottery Fund application had been submitted. Should the application fail there would then be a need to review the situation.
- 56.11 Councillor Morgan suggested that the shortfall in income targets for off-street parking could be partly down to the cost of parking. He noted that Regency Square car park was half empty during the day and that machines in Trafalgar Street had not been working for sometime, enabling people to park for free. He also noted the underspend

of £0.668m for Discretionary Social Fund and asked if the take up from this could be promoted.

56.12 The Executive Director for Finance & Resources stated that take up from the various social funds was being tracked and there was a good profile of spend to date. However, officers were looking at how this could be promoted and a more pro-active approach taken. She also noted that additional funds had been put into the budget area because of the uncertainty around take up and therefore an underspend was anticipated, especially as people should be accessing funding through the DWP.

56.13 The Chair noted the comments and put the recommendations to the vote.

56.14 **RESOLVED:**

- (1) That the forecast outturn position for the General Fund, which is an overspend of £2.413m be noted;
- (2) That the forecast outturn for the Housing Revenue Account (HRA), which is an underspend of £0.150m be noted;
- (3) That the forecast outturn position for the Dedicated Schools Grant which is an underspend of £0.309m be noted;
- (4) That the forecast outturn position on the capital programme be noted; and
- (5) That the following changes to the capital programme be approved:
 - The variations and reprofiles in Appendix 3 and the new schemes as set out in Appendix 4.

Subject:	Targeted Budget Management (TBM) 2013/14 Month 5		
Date of Meeting:	17 October 2013		
Report of:	Executive Director of Finance & Resources		
Contact Officer:	Name:	Jeff Coates	Tel: 29-2364
	Email:	Jeff.coates@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT:

- 1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out the forecast outturn position as at Month 5 on the council's revenue and capital budgets for the financial year 2013/14.
- 1.2 Early forecasts for the year indicated significant potential pressures and forecast overspending. Month 5 shows the position to be improving overall as we approach the mid-point of the year but there remain significant pressures and forecast risks to manage across the General Fund Revenue Budget.

2 RECOMMENDATIONS:

- 2.1 That the Committee note the forecast outturn position for the General Fund, which is an overspend of £2.413m.
- 2.2 That the Committee note the forecast outturn for the Housing Revenue Account (HRA), which is an underspend of £0.150m.
- 2.3 That the Committee note the forecast outturn position for the Dedicated Schools Grant which is an underspend of £0.309m.
- 2.4 That the Committee note the forecast outturn position on the capital programme.
- 2.5 That the Committee approve the following changes to the capital programme.
 - i) The variations and reprofiles in Appendix 3 and the new schemes as set out in Appendix 4.

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.

Month 2 Forecast Variance £'000	Directorate	2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
(1,311)	Children's Services	59,166	57,697	(1,469)	-2.5%
2,890	Adult Services	62,221	64,808	2,587	4.2%
373	Environment, Development & Housing	46,723	47,201	478	1.0%
221	Assistant Chief Executive	12,757	12,908	151	1.2%
0	Public Health	1,807	1,815	8	0.4%
130	Finance, Resources & Law	39,485	38,886	(599)	-1.5%
2,303	Sub Total	222,159	223,315	1,156	0.5%
1,085	Corporate Budgets	11,728	12,985	1,257	-10.7%
3,388	Total Council Controlled Budgets	233,887	236,300	2,413	1.0%

- 3.4 The General Fund includes general council services, corporate budgets and central support services. Corporate budgets include centrally held provisions and budgets (e.g. insurance) as well as some cross-cutting value for money savings targets. General Fund services are accounted for separately to the Housing

Revenue Account (Council Housing). Although part of the General Fund, financial information for the Dedicated Schools Grant is shown separately as this is ring-fenced to education provision (i.e. Schools).

Corporate Critical Budgets

- 3.5 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.
- 3.6 They are based on current activity levels and commitments but these can fluctuate significantly over the year. Mitigating recovery actions can change the financial outlook substantially, even for small changes in activity levels but the opposite also applies, hence the reason for closer scrutiny of these areas.

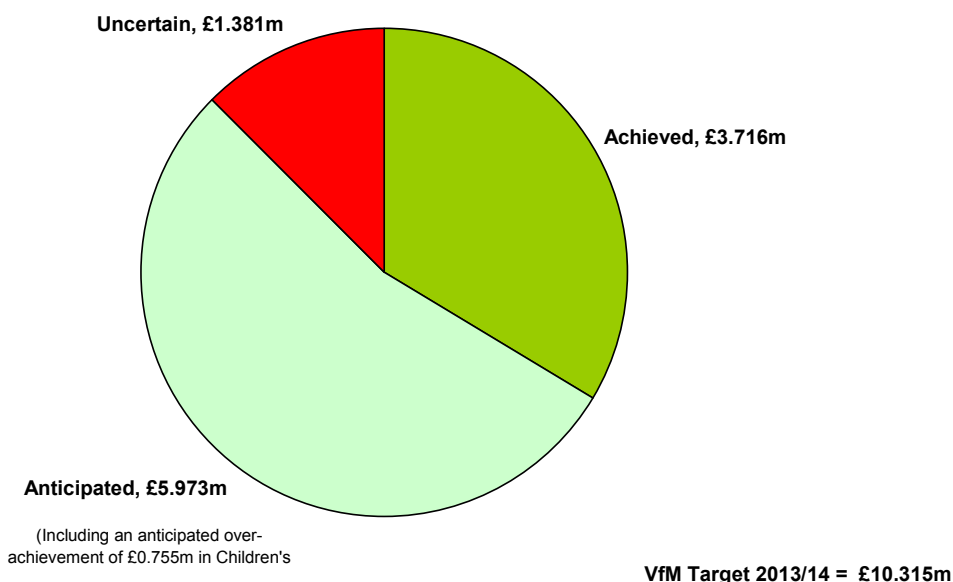
Month 2 Forecast Variance £'000	Corporate Critical	2012/13 Budget Month 5 £'000	Provisional Outturn Month 5 £'000	Provisional Variance Month 5 £'000	Provisional Variance Month 5 %
(857)	Child Agency & In House	19,471	18,448	(1,023)	-5.3%
2,153	Community Care	41,427	43,268	1,841	4.4%
(175)	Sustainable Transport	(15,781)	(16,026)	(245)	-1.6%
303	Temporary Accommodation	1,372	1,574	202	14.7%
0	Housing Benefits	(569)	(569)	0	0.0%
1,424	Total Council Controlled	45,920	46,695	775	1.7%

Value for Money (VfM) Programme (Appendix 2)

- 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 At this stage there are two key areas of risk regarding Accelerated Service Redesign, which was supported by a Voluntary Severance Scheme, and category spend on IT hardware and software outside of the ICT service.

Accelerated Service Redesign has so far underachieved by £1.126m (£1.295m full year) while there is a pressure of £0.229m on IT category spend. Further information about the risks and actions relating to uncertain savings is given in Appendix 2.

Value for Money Programme (All Phases) - 2013/14 Monitoring



Housing Revenue Account Performance (Appendix 1)

3.10 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.

Month 2 Forecast Variance £'000	HRA	2013/14 Budget £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
(153)	Expenditure	56,289	56,175	(114)	-0.2%
30	Income	(56,289)	(56,325)	(36)	-0.1%
(123)	Total	-	(150)	(150)	

Dedicated schools Grant Performance (Appendix 1)

3.11 The Dedicated Schools Grant (DSG) is a ring-fenced grant which can only be used to fund expenditure on the schools budget. The schools budget includes elements for a range of services provided on an authority-wide basis including early years education provided by the Private, Voluntary and Independent (PVI) sector, and the Individual Schools Budget (ISB) which is divided into a budget

share for each maintained school. The current forecast is an underspend of £0.309m and more details are provided in Appendix 1. Under the Schools Finance Regulations any underspend must be carried forward to support the schools budget in future years.

NHS Managed 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 as a memorandum item under TBM throughout the year.

Month 2 Forecast Variance £'000		2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
212	Section 75 NHS Trust managed S75 Services	12,071	12,360	289	2.4%

Capital Programme Performance and Changes

- 3.14 The table below provides a summary of capital programme performance by Directorate and shows that there is an overall underspend of £0.284m.

Month 2 Forecast Variance £'000		2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Outturn Month 5 %
0	Capital Budgets				
0	Children's Services	26,304	26,304	0	0.0%
0	Adult Services	3,470	3,470	0	0.0%
0	Environment, Development & Housing – General Fund	23,671	23,671	0	0.0%
0	Environment, Development & Housing - HRA	33,576	33,452	(124)	-0.4%
0	Assistant Chief Executive	12,589	12,429	(160)	-1.3%
0	Finance, Resources & Law	10,552	10,552	0	0.0%
0	Total Capital	110,162	109,878	(284)	-0.3%

- 3.15 Appendix 3 shows the changes to the budget and Appendix 4 provides details of new schemes to be added to the capital programme which are included in the budget figures above. Policy & Resources Committee's approval for these changes is required under the council's Financial Regulations. The following table shows the movement in the capital budget since approval in the Month 2 report.

Capital Budget Movement	2013/14 Budget £'000
Summary	
Budget approved at Month 2	107,429
Reported at this Committee since Month 2	1,160
New Schemes (to be approved)	2,367
Variations (to be approved)	968
Reprofiles (to be approved)	(1,762)
Slippage (to be approved)	0
Total Capital	110,162

Implications for the Medium Term Financial Strategy (MTFS)

- 3.16 The council's MTFS sets out resource assumptions and projections over a longer term. 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.
- 3.17 Details of risk provisions currently held are given in the Corporate Budgets section of Appendix 1. At this stage of the year no risk provisions have been deployed as mitigating actions and recovery plans continue to be implemented. The financial position and the level of forecast risk will be reviewed for Month 7 and the potential use of risk provisions will be considered alongside a Budget Update and Progress report to the December Policy & Resources Committee.

Capital Receipts Performance

- 3.18 Capital receipts are used to support the capital programme. Any changes to the anticipated 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 2013/14 £9.896m capital receipts have been received to date including the completed disposal of Amex House, the disposal of the Ice Rink at Queens Square and the sale of the Council's civic car number plate. These receipts are already assumed within the planned resources expected to be available to fund the current capital programme.
- 3.19 The forecast for the 'right to buy' sales 2013/14 (after allowable costs, repayment of housing debt and forecast receipt to central government) is that an estimated 60 homes will be sold with a maximum useable receipt of £0.428m to fund the

corporate capital programme and net retained receipt of £2.975m available to re-invest in replacement homes. To date, 31 homes have been sold in 2013/14.

Collection Fund Performance

- 3.20 The collection fund is a separate account for transactions in relation to council tax and business rates. Any deficit or surplus forecast on the collection fund relating to council tax is distributed between the council, Sussex Police and East Sussex Fire Authority whereas any forecast deficit or surplus relating to business rates is shared between, the council, government and East Sussex Fire Authority.
- 3.21 The projected collection fund surplus position at 31st March 2014 on council tax is (£1.459m) and the council's share of this (£1.246m). This includes the brought forward surplus from 2012/13 of (£0.497m). There is a lower than budgeted caseload on council tax reduction discounts which accounts for (£0.976m) of the surplus, there is a higher level of new properties than estimated of (£0.264m) which is offset by a higher level of Single Person Discounts £0.278m. The projected surplus at 15th January 2014 will be incorporated into the 2014/15 budget. An updated position on business rates is due to be produced using data at the 30th September and will be reported in the next TBM report and budget report.

Comments of the Director of Finance (S151 Officer)

- 3.22 The month 5 position is clearly showing improvement and this is expected to continue across most services over coming months. The Adult Social Care position is of most concern and options are being considered for partial mitigation of this, working together with Housing colleagues. The Accelerated Service Redesign VFM forecast risk remains problematic as the Voluntary Severance Scheme has now ended, however, options for further service redesign are being explored. As mentioned above, the potential use of risk provisions to mitigate some of these pressures will be considered at Month 7 alongside the Budget Update report to the December committee meeting.
- 3.23 Executive Directors will continue to keep the position under close scrutiny and will take appropriate action to reduce spending, manage vacancies and develop financial recovery plans where necessary.
- 3.24 Members should also note that it has recently come to light that there is dispute between local authorities and Public Health England in relation to prescribing costs. The ring-fenced transfer of £18.2m does not include provision for certain additional prescription costs and services but Public Health England are indicating that this is now the responsibility of local authorities. The potential financial risk to this council is circa £1.0m. Discussions are being held at a regional level to resolve this dispute.

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: 21/09/13

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.
- 5.3 As regards the proposed unsupported borrowing for Longhill School detailed in Appendix 4, arrangements for loan repayments in the event of conversion to an academy would follow established principles and guidance issued by the Department for Education and other relevant bodies.

Lawyer Consulted:

Oliver Dixon

Date: 21/09/13

Equalities Implications:

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

Sustainability Implications:

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

Crime & Disorder Implications:

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

Risk and Opportunity Management Implications:

- 5.7 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 recommended minimum working balance of £9.000m to mitigate these risks. The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

Public Health Implications:

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

Corporate / Citywide Implications:

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

6 EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 The provisional outturn position on council controlled budgets is an overspend of £2.413m. Any underspend at year-end would release one off resources that can be used to aid budget planning for 2014/15. Any overspend will need to be funded from general reserves which would then need to be replenished to ensure that the working balance did not remain below £9.000m.

7 REASONS FOR REPORT RECOMMENDATIONS

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

SUPPORTING DOCUMENTATION

Appendices:

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

Documents in Members' Rooms:

None.

Background Documents

None.

Appendix 1 – Revenue Budget Performance

Children’s Services - Revenue Budget Summary

Month 2 Forecast Variance £'000	Service	2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Director of Children's Services	177	205	28	15.8%
(105)	Education & Inclusion	4,886	4,753	(133)	-2.7%
(742)	Children's Health, Safeguarding and Care	33,278	32,652	(626)	-1.9%
(464)	Stronger Families, Youth & Communities	20,825	20,087	(738)	-3.5%
(1,311)	Total Revenue - Children	59,166	57,697	(1,469)	-2.5%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Director of Children’s Services			
28	Other	Minor overspend variance relating to staff recruitment costs and staffing.	Costs will be monitored closely over the year and efforts made to reduce costs or identify mitigating savings to bring these budgets back in balance where possible
Education & Inclusion			
(205)	Home to School Transport	The underspend reflects the latest number of children being transported. The number of pupils transported to/from school for May/June was 445, July 421 and September 449. A detailed analysis has been undertaken with the budget holder for each area of the budget and these will continue to be monitored monthly.	
72	Other	Minor overspend variances	Costs will be monitored closely over the year and efforts made to reduce costs or identify mitigating savings to

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
			bring these budgets back in balance where possible
Children's Health, Safeguarding & Care			
(387)	Social Work Teams	The Social Work Teams are currently projected to underspend due to a number of vacant posts within the teams.	
281	Care Leavers	Based on the spend to date in 2013/14 there would be an overspend on care leavers of £0.281m . There is currently on-going work to link services with housing to achieve better value for money in this service.	Costs will be monitored closely over the year and efforts made to reduce costs or identify mitigating savings to bring this budget back in balance where possible. There is an ongoing project to look at cost reductions through better partnership working between Children's and Housing services. Increased activity in care leavers is linked to reductions in Looked After Children so spend in this area is supporting the VFM savings above.
(30)	Legal Fees	At this stage in the financial year there is insufficient information to produce an accurate forecast. However, early estimates indicate a potential underspend based on quarter 1 expenditure.	
(60)	Adoption Payments	The government have instituted a number of changes and new requirements for the adoption service. Linked to this, a new Adoption Reform grant has been made available partly to fund increases in fees for inter-agency adoptions and partly to facilitate the required changes in processes. It is not yet known what the net impact this will have on inter-agency adoption costs and therefore no budget variance has been included at this stage. The underspend relates to regular adoption support payments and allowances which are currently running slightly below budgeted levels.	
(428)	Corporate Critical - In	Part of the VFM budget strategy is to switch the emphasis of fostering placements from IFA to in-house carers. The budgets	Continuing the implementation of a tiered approach to the procurement of

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
	House Foster Payments	are based on an increased number of in-house placements with a corresponding reduction in IFA numbers. This has not progressed as quickly as anticipated resulting in the overspend in IFAs (above) and an underspend of £0.428m in in-house placements.	placements, reducing the proportion of high cost placements.
(185)	Contact Service	The underspend in this service is predominantly due to the use of sessional and agency staff being considerably less than anticipated in the budget.	
150	Data Retrieval	There is a potential budget pressure of £0.150m relating to work being commissioned to improve data retrieval systems within Children's services.	There are mitigating underspends across Children's Services and every effort will be made to keep the cost of this work to a minimum.
(111)	Prevention	The underspend in this service mainly relates to the costs of housing and payments to family & friends carers.	
144	Other	Minor overspend variances	Costs will be monitored closely over the year and efforts made to reduce costs or identify mitigating savings to bring these budgets back in balance where possible
Stronger Families, Youth & Communities			
(595)	Corporate Critical - Children's Agency Placements	<p>The current projected number of residential placements (27.53FTE) is broken down as:</p> <ul style="list-style-type: none"> • 23.02 FTE social care residential placements (children's homes), • 3.94 FTE schools placements, • 0.57 FTE family assessment placements, and • FTE substance misuse rehabilitation placements. <p>The budget allows for 22.20 FTE social care residential care placements, 6.00 FTE schools placements, 1.50 FTE family assessment placements and 0.60 FTE substance misuse rehab placements. The number of projected children's home</p>	<p>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:</p> <ul style="list-style-type: none"> • implementing a tiered approach to the procurement of placements for looked after children, reducing the proportion of high cost placements • improving the commissioning and

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
		<p>placements is in line with the budget although 1.30 FTE of these are in 'semi independence' with a considerably reduced unit cost. Other residential placement types remain low compared with historic averages. Overall the number of placements is currently 2.77 FTE below the budgeted level, and this combined with the unit cost savings described above result in an estimated underspend of £0.681m.</p> <p>The numbers of children placed in independent foster agency (IFA) placements began to fall during 2012/13 and that trend appears to be continuing in 2013/14. Currently there are 164.65 projected FTE placements. Although this represents a reduction of 11.4% on last year, the budget strategy included a target for switching the emphasis from IFA to in-house carers which has not yet been achieved. On that basis, budget for IFA placements is 154.00 FTE which is currently being exceeded by 10.65 FTE placements resulting in an anticipated overspend of £0.102m.</p> <p>The current projected number of disability placements is 18.88 FTE with an average unit cost of £1,755.59. The number of placements is 5.38 FTE above the budgeted level. The average weekly cost of these placements is £462.68 lower than the budgeted level and the combination of these two factors together with a projected underspend of £0.050m on respite placements, results in an overspend of £0.117m.</p> <p>It is currently anticipated that there will be 1.08 FTE secure (welfare) placements and 1.26 FTE secure (justice) placements in 2013/14. The budget allows for 1.25 FTE welfare and 0.75 FTE justice placements during the year. There is currently one child in a secure (welfare) placement and three in a secure (criminal) placement resulting in a projected underspend of £0.133m.</p>	<p>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.</p> <ul style="list-style-type: none"> 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)
(143)	Other	Minor underspend variances	

Appendix 1 – Revenue Budget Performance

Adult Services – Revenue Budget Summary

Month 2 Forecast Variance £'000	Service	2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
2,153	Adults Assessment	48,112	49,946	1,834	3.8%
737	Adults Provider	13,593	14,355	762	5.6%
0	Commissioning & Contracts	516	507	(9)	-1.7%
2,890	Total Revenue - Adult	62,221	64,808	2,587	4.2%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
		The key variances across Adult Social Care are as detailed below:	Further plans are being developed and mitigating action is being taken to reduce these forecast overspends which are improving.
Adults Assessment			
see below	Assessment Services	Assessment Services are showing an overspend of £1.834m (3.8% of net budget) at Month 5, broken down as follows:	
1,318	Corporate Critical - Community Care Budget (Older People)	The pressure on the Older People community care budget relates to the Supported Living and Extra Care Housing savings target of £1.64m jointly commissioned with Housing which is now not expected to be delivered in year. The target includes options around Sheltered Housing, Shared Lives and other accommodation. These options are complex and there are significant service, legal, financial and commissioning considerations to work through for each option that will require a greater lead-in time than originally anticipated. Currently, there is a significant risk that units and/or alternative options will	Corporate strategic work is ongoing to deliver the extra care units required and explore/develop the other options-this is unlikely to deliver cost savings until 2014/15 or beyond. Placements are being managed to contain the potential overspend in 2013/14.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
		not be deliverable in time to achieve the savings target for 2013/14.	
(153)	Corporate Critical - Community Care Budget (Learning Disabilities)	Learning Disabilities are now reporting an underspend of £0.153m at Month 5 following a detailed review of growth assumptions for transition cases. The improvement from Month 2 is £0.486m. It should be noted that the potential impact from Ordinary Residence (OR) claims against the budget is £0.755m full year effect, of which £0.270m is included in the forecast. All OR applications need to be reassessed by B&H and are prioritised against risk, therefore there can be a delay in acceptance. Although the majority of applications are legally sound, some are disputed successfully.	
730	Corporate Critical - Community Care Budget (Under 65's)	Under 65's are currently showing an overspend of £0.730m (an increase of £0.354m from Month 2 due to several large packages of care being agreed). The underlying pressure is largely due to the full-year effect of the increased complexity (e.g. Acquired Brain Injury) in small numbers of high cost placements against homecare and direct payments.	Continuing to explore alternative models of provision and funding.
(54)	Community Care Budget (HIV)	The underspend is a continuation of the activity and spending levels experienced over the last 2 financial years. Consideration needs to be given to realigning the budget, given the pressures on other areas described above.	
(7)	Support & Intervention Teams	There is a risk around the delivery of the £0.340m savings target in respect of joint commissioning provider arrangements.	Planning service redesign, however this is unlikely to achieve savings in 2013/14. One off funding relating to a legal case on funding a learning disability placement should cover the pressure for 2013/14 only.
Adults Provider			
762	Adults Provider	The forecast overspend includes an assessed risk of £0.500m against the achievement of savings targets totalling £1.640m (2013/14 targets and unachieved targets in 2012/13). Achievement of the savings is dependent on the commissioning	The services are working to implement the changes required to deliver the savings and to identify further opportunities to make

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
		<p>review of day options, the corporate VFM programme on transport, the review of options for different service models led by a corporate working group, and the Learning Disabilities accommodation review, all of which are underway.</p> <p>The forecast overspend also includes additional pressures on Adults Provider budgets due to increased staffing in the Resource Centres for Older People (£0.460m) which has been partly offset by one off and recurrent Department of Health Social Care funding (£0.262m), projected shortfalls on Residents Contributions (£0.068m) and other areas are underspent by £0.004m.</p>	efficiencies across all the services.
Commissioning & Contracts			
(9)	Commissioning & Contracts	There is a pressure of approximately £0.040m against delivery of the Community Meals savings target, which is offset against vacancy management savings across the service.	

Environment, Development & Housing - Revenue Budget Summary

Month 2 Forecast Variance £'000	Service	2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
(101)	Transport	(4,025)	(4,081)	(56)	1.4%
3	City Infrastructure	28,602	28,606	4	0.0%
23	City Regeneration	1,078	1,118	40	3.7%
133	Planning & Public Protection	4,527	4,625	98	2.2%
58	Total Non Housing Services	30,182	30,268	86	0.3%
315	Housing	16,541	16,933	392	2.4%
373	Total Revenue - Environment, Development & Housing	46,723	47,201	478	1.0%

Explanation of Key Variances:

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Transport			
(245)	Corporate Critical – Parking Operations	<p>Overall the corporate critical parking budget is forecast to underspend by £0.245m. The main components of this are:</p> <ul style="list-style-type: none"> London Road car park is expected to achieve additional income of £0.221m largely as a result of letting an additional 220 season ticket spaces to a large local business. Surplus permit income of £0.124m. This has been caused by increased demand for permits, partially trader permits where 	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		<p>removal of the waiting list has increased demand and also a general migration from on-street parking to permits.</p> <ul style="list-style-type: none"> • An expected £0.113m surplus on leased car park income. • On-street parking, income received to date and the forecast tariff model suggests a potential over achievement of income by approximately £0.028m. • There is a forecast under-achievement of income of approximately £0.219m relating to other off street car parks. It is possible that changes in prices have resulted in greater movement to on-street parking. Details of customer activity are being investigated to identify potential reasons for income being significantly less than anticipated in the tariff model. • There is a forecast under achievement of £0.053m relating to Penalty Charge Notice (PCN) income. 	
60	Highways	Forecasted pressures totalling £0.060m have been indentified within the Highways division. A potential pressure of £0.065m has been highlighted with regards to staff funding and agency costs; with another pressure of £0.005m in relation to counsel costs. These have been partially offset by additional income of approximately £0.024m.	The Highways team will continue to explore options to reduce its forecast revenue overspend.
128	Highways Engineering	The £0.128m variance relates to Highways Engineers' costs rechargeable to capital. The expected works rechargeable to capital is less than the budgeted recovery target. The current forecast has been based on a high level analysis of the	Following a review of the scope to further capitalise revenue costs against capital transport projects, it has been concluded that there is no further scope within the current transport capital programme to do this. The forecast revenue

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		expected works during the year.	spend is nonetheless required to support the transport capital programme and hence the revenue deficit will be met from any surplus parking revenues.
City Infrastructure			
4	City Clean	There have been some minor variances reported by budget holders but these are expected to be managed within existing budgets. Potential material budget variances, such as the impact of industrial action and service redesign should be noted and detailed forecasts will be developed for future months once the implications are known.	
City Regeneration			
20	Economic Development	This relates to a contribution to the Coast to Capital LEP which is above what was originally budgeted.	Other spending will be kept under review to try and manage this within the overall resources of the division.
20	Sustainability	Pressures have been identified with regards to maternity pay cover (£0.005m) and potentially unachievable income (£0.015m).	An exercise is being carried out to establish whether the sustainability budget could be better aligned to reflect actual activity with the regards to the unrecoverable income.
Planning & Public Protection			
35	Development Planning	There is a forecast income shortfall within the Development Management budget of £0.100m. The income forecast for the year is based on the anticipated number of applications, and includes an assessment of the likelihood of receiving income from major applications. There is a predicted income drop of approximately £0.040m compared to previous years as a consequence of the prior approval legislation changes in May 2013 which has increased the scope of change of use development rights. A further £0.019m pressure has been identified	Pre-application advice charges for Major Schemes in development control are to be introduced in the autumn. Work to improve income forecasting, supported by the finance team, means that income forecasts are now considerably more accurate. A bid for delivery of ICT database and migration projects should assist with ongoing and unplanned software upgrade and maintenance costs. Use of some agency staff is also due to come to an end by October.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		within the Fee-Earning Building Control service. This is a forecasted net position of the service, after considering underspending on the salary budget and underachievement on income. These variances are offset to an extent by a shorter than expected 'Examination in Public' into the City Plan reducing the forecast spend by £0.80m.	
63	Public Protection	The forecast variance has improved by £0.070m since Month 2. It reflects an anticipated £0.030m shortfall on licensing income budgets where there is little scope to generate additional income, and a £0.033m overspend on the employee budget.	Detailed forecasting across all budgets will be carried out regularly to determine potential for additional income and cost reductions to offset the forecasted overspend.
Housing			
202	Corporate Critical Temporary Accommodation & Allocations	As identified at Month 2, the forecast pressure is due to lower than expected income on Block & Spot Purchase Bed and Breakfast placements due to voids and collection rates. Some Bed & Breakfast contracts have been reviewed and appropriate action taken to reduce the level of voids.	Additional leased properties will reduce the impact of lower income for B&B accommodation. A rent accounting system for B&B is being implemented which will enable us to collect income from working people. Income collection for leased properties has been better than anticipated and voids have been lower, which will offset potential overspend.
202	Travellers	£0.092m overspend on Horsdean site due to remedial/improvement works, increased security costs and income loss due to the site being closed. £0.055m overspend on unauthorised encampments due to fly-tipping waste removal costs, increased legal costs and increased costs for the removal and storage of vehicles. There is a £0.055m overspend on additional staffing required to run this reactive service.	Financial recovery processes are in place; all expenditure is being scrutinised and contracts renegotiated. The option of a temporary office at Horsdean is being explored and improved CCTV which would reduce security costs. Options to prevent expenditure on unauthorised encampments are being considered.
15	Housing Support	The £0.015m overspend at month 5 relates to staffing costs.	All expenditure is being scrutinised to mitigate this pressure.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
	Services		
(27)	Other Housing	Further underspends on staffing budgets in Housing Options have been identified.	

Appendix 1 – Revenue Budget Performance

Assistant Chief Executive - Revenue Budget Summary

Month 2 Forecast Variance £'000	Service	2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Communications	790	790	0	0.0%
100	Royal Pavilion, Arts & Museums	3,727	3,727	0	0.0%
121	Tourism & Venues	1,512	1,663	151	10.0%
0	Policy, Civic, Performance & Communities	5,854	5,854	0	0.0%
0	Sport & Leisure	874	874	0	0.0%
221	Total Revenue - Assistant Chief Executive	12,757	12,908	151	1.2%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Communications			
0	Communications	Break-even position reported at Month 5.	
Royal Pavilion, Arts & Museums			
0	Royal Pavilion, Arts & Museums	The service was showing an overspend of £0.100m at Month 2, but has been able to reduce this to a break-even position by reviewing all areas of spend across the service and identifying savings from vacancy management to help improve the overall financial position.	
Tourism & Venues			
151	Tourism & Venues	Tourism & Venues are reporting a pressure of £0.151m at Month 5, which is broken down as follows: Venues had an overspend of £0.422m last financial year due mainly to reduced bookings for	Further action will be taken to secure further bookings and maximise future business opportunities.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		entertainments. As a result of the action taken to help secure further bookings and maximise future business opportunities the overall pressure reported at Month 5 is much reduced at £0.116m (reduction of £0.004m from Month 2). There is a pressure of £0.018m relating to the full-year savings target applied to the Visitor Information Centre which is not actually closing until October and a further £0.017m against Marketing from reduced advertising receipts.	
Policy, Civic ,Performance & Communities			
0	Policy, Civic Performance & Communities	Break-even position reported at Month 5.	
Sport & Leisure			
0	Sport & Leisure	Sport & Leisure are reporting a break-even position at Month 5. However there is a risk in respect of liabilities for Saltdean Lido until a lease is granted to an external operator. This is nearing completion.	

Public Health – Revenue Budget Summary

Month 2 Forecast Variance £'000	Service	2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Public Health	35	35	0	0.0%
0	Community Safety	1,595	1,595	0	0.0%
0	Civil Contingencies	177	185	8	4.5%
0	Total Revenue - Public Health	1,807	1,815	8	0.4%

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Public Health			
0	Public Health	<p>This is a ring-fenced grant of £18.2m from the Department of Health, which is being provided to give local authorities the funding needed to discharge their new public health responsibilities. The expectation is that funds will be utilised in-year, but if at the end of the financial year there is any underspend this can be carried over, as part of a public health reserve, into the next financial year. In utilising those funds next year, the grant conditions will still need to be complied with.</p> <p>It has recently come to light that there is dispute between local authorities and Public Health England in relation to prescribing costs. The ring-fenced transfer of £18.2m does not include provision for certain additional prescription costs and services but Public Health England are indicating that this is</p>	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		now the responsibility of local authorities. The potential financial risk to this council is circa £1.0m. Discussions are being held at a regional level to resolve this dispute.	
Community Safety			
0	Community Safety	Community Safety are forecasting a break-even position at Month 5.	
Civil Contingencies			
8	Civil Contingencies	There is a small pressure being reported due to slightly increased staff costs.	Non-pay budget areas will be closely reviewed and savings generated where possible to cover identified pressure.

Appendix 1 – Revenue Budget Performance

Resources & Finance and Law - Revenue Budget Summary

Month 2 Forecast Variance £'000	Service	2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	City Services	13,424	12,987	(437)	-3.3%
0	Housing Benefit Subsidy	(569)	(569)	0	0.0%
0	HR & Organisational Development	4,253	4,253	0	0.0%
130	ICT	6,724	6,864	140	2.1%
0	Property & Design	5,864	5,646	(218)	-3.7%
0	Finance	6,479	6,404	(75)	-1.2%
0	Legal & Democratic Services	3,310	3,301	(9)	-0.3%
130	Total Revenue - Resources & Finance	39,485	38,886	(599)	-1.5%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
City Services			
(437)	City Services	Revenues and Benefits are forecasting significant underspends of £0.668m relating to payments from the Local Discretionary Social Fund (£0.457m) and Council Tax Relief (£0.245m) due to initial take up being lower than anticipated. However this is expected to increase over time and Discretionary Payments – forecast last month to underspend - are now expected to be on target. Other variances amount to a cost of £0.034m due mainly to supplies and services costs and some shortfalls in	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		<p>income recovery.</p> <p>Life Events are forecasting an overspend of £0.231m, a small improvement from last month's figure of £0.249m. Pressures from the crematorium, mostly due to the impact of the Mercury Abatement scheme, are forecast at £0.060m, with further income pressures at Woodland Valley Burial Site of £0.050m. The Registrars service is also expected to cause a pressure of £0.090m (due to projected salary overspends of £0.055m and unachieved income of £0.035m). There were other minor overspends elsewhere in the service amounting to £0.031m.</p>	<p>A financial recovery plan for Life Events has been drawn up within the service and it is hoped this will reduce the overspend further in due course.</p>
Housing Benefit Subsidy			
0	Corporate Critical - Housing Benefit Subsidy	Break-even position reported at Month 5.	
HR & Organisational Development			
0	HR & Organisational Development	Human Resources & Organisational Development continue to forecast an on-target position. Following an analysis of the service's budget to re-base staffing estimates and income targets, a pressure of £0.124m was identified. This pressure has now been partially dealt with for 2013/14 and it is expected that the service will be able to come in on target this year, and also agree a balanced budget for 2014/15.	
ICT			
140	ICT	Our forecast at Month 5 remains at an	The service is developing a financial recovery

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		estimated overspend of £0.140m. We have continued to make savings through vacancy management however we still expect that there will be a shortfall on the anticipated VFM savings on the Microsoft Enterprise agreement and telephony contract. There are also pressures on our contracts budgets due to ongoing ICT security issues.	plan in the context of planning the delivery of the ICT Investment Plan and meeting new demands for increased information security following the government's recent announcement of a 'zero tolerance' approach.
Property & Design			
(218)	Property & Design	The commercial rent forecasts are being maintained despite the difficult economic climate for rental properties on the high street.	
Finance			
(75)	Finance	The underspend results partially from vacancies and partially from lower than anticipated implementation costs for service developments relating to banking, income and e-Budgeting.	
Legal & Democratic Services			
(9)	Legal & Democratic Services	Minor underspends.	

Appendix 1 – Revenue Budget Performance

Corporate Budgets - Revenue Budget Summary

Month 2 Forecast Variance £'000	Unit	2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
0	Bulk Insurance Premia	3,167	3,017	(150)	-4.7%
0	Concessionary Fares	10,144	10,198	54	0.5%
0	Capital Financing Costs	9,721	9,696	(25)	-0.3%
0	Levies & Precepts	158	158	0	0.0%
1,085	Corporate VfM Savings	(1,258)	97	1,355	107.7%
0	Risk Provisions	4,761	4,761	0	0.0%
0	Other Corporate Items	(14,965)	(14,942)	23	0.2%
1,085	Total Revenue - Corporate Budgets	11,728	12,985	1,257	-10.7%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Bulk Insurance Premia			
(150)	Bulk Insurance Premia	The underspend relates to a lower level of insurance claims expected to be paid during this year.	
Concessionary Fares			
54	Concessionary Fares	There is a projected overspend of £0.054m on concessionary bus fares. Of this, £0.029m relates to increased journey numbers and higher than estimated average fares on services between Brighton and destinations in Mid-Sussex, as well as the impact of an improved service from the end of May on a route to / from Crawley. The remaining £0.025m overspend relates	Underspends on other corporate budgets, notably bulk insurance premia, will be used to mitigate this pressure.

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Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		to supported bus routes within the city boundaries where there has been a significant increase in journey numbers and slightly higher than anticipated average fares from April. In comparison with earlier years the increased journey numbers are likely to be linked to the good weather experienced over the summer.	
Capital Financing Costs			
(25)	Capital Financing Costs	There is a forecast £0.025m contribution to the Financing Costs Reserve due to higher than anticipated net cash flows for the year resulting in higher investment income and lower short term borrowing costs. This has been partly offset by lower than anticipated investment returns due to lower interest rates in the money markets.	
Corporate VFM Projects			
1,355	Corporate VFM Projects	Overspend relates to the level of uncertain savings resulting from Accelerated Service Redesign (voluntary severance (VSS) scheme) process and IT category spend outside of the ICT service. Details are provided in Appendix 2 (VFM Programme).	Please see Appendix 2 for information.
Risk Provisions			
0	Risk Provisions & contingency	<p>The risk provision budget includes the following main items:</p> <ul style="list-style-type: none"> ○ Pay and Pension provisions of £2.4m; ○ Risk provisions of £1.5m; ○ Contingency and other items, including energy inflation provisions 	

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Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		<p>of £0.86m.</p> <p>A break-even position is reported at Month 5 on this budget. This includes the use of £0.800m on a one-off basis to support investment at Hollingdean Depot as outlined in Appendix 3. The overall TBM position at Month 5 indicates a number of forecast risks which may result in a call on risk provisions if these cannot be mitigated by recovery actions. The use of risk provisions to support the overall position will be considered further at Month 7 alongside a Budget Update report to the December committee meeting.</p>	
Other Corporate Items			
23	Other Corporate Items	Variances on unringfenced grants.	

Appendix 1 – Revenue Budget Performance

Housing Revenue Account - Revenue Budget Summary

Month 2 Forecast Variance £'000	Housing Revenue Account	2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
2	Employees	8,629	8,659	30	0.3%
0	Premises – Repair	11,028	10,991	(37)	-0.3%
0	Premises – Other	3,443	3,439	(4)	-0.1%
0	Transport & Supplies	2,201	2,240	39	1.8%
100	Support Services	1,979	2,071	92	4.6%
(5)	Third Party Payments	147	144	(3)	-2.0%
0	Revenue contribution to capital	20,774	20,774	-	0.0%
(250)	Capital Financing Costs	8,088	7,857	(231)	-2.9%
(153)	Net Expenditure	56,289	56,175	(114)	-0.2%
0	Dwelling Rents (net)	(49,235)	(49,218)	17	0.0%
0	Other rent	(1,269)	(1,333)	(64)	-5.0%
25	Service Charges	(4,932)	(4,908)	24	0.5%
0	Supporting People	(465)	(480)	(15)	-3.2%
5	Other recharges & interest	(388)	(386)	2	0.5%
30	Net Income	(56,289)	(56,325)	(36)	-0.1%
(123)	Total	-	(150)	(150)	

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Housing Revenue Account			
92	Support Services	Additional Legal support, £0.070m and Human Resources, £0.030m, is required by Housing Services due to additional work requirements resulting from welfare reform, capital programme major projects and a review of various Housing management services. This has been offset by a small underspend in the charge for the community alarm service.	This is currently being managed within the service by underspends elsewhere in the HRA.
(231)	Capital Financing Costs	This forecast underspend is due to a reduction in interest costs as a result of lower levels of borrowing than budgeted.	
(64)	Rents-Other	This over-achievement of income relates to an increase in car park income from private users and more income from commercial rents due to rents being revised after the budget was set.	

Dedicated Schools Grant - Revenue Budget Summary

Month 2 Forecast Variance £'000	Dedicated Schools Grant (DSG)	2013/14 Budget Month 5 £'000	Provisional Outturn Month 5 £'000	Provisional Variance Month 5 £'000	Provisional Variance Month 5 %
0	Individual Schools Budget (ISB) <i>(This does not include the £7.114m school balances brought forward from 2012/13)</i>	125,167	125,167	0	0.0%
0	Private Voluntary & Independent (PVI) <i>(Early Years 3 & 4 year old funding for the 15 hours free entitlement to early years education)</i>	8,857	8,857	0	0.0%
(208)	Central Schools Budget <i>(This includes £1.089m central underspend brought forward from 2012/13)</i>	20,874	20,565	(309)	-1.5%
0	Grant Income	(153,809)	(153,809)	0	0.0%
(208)	Net DSG Budget	1,089	780	(309)	-28.4%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Central Schools Budget			
(159)	Exceptions	This central budget is held to meet historical commitments, for example, schools' equal pay and combined services costs, together with other statutory items paid on behalf of schools. The allocation of the Exceptions budget is approved by the Schools Forum. This small underspend relates to currently unallocated exceptions budgets.	
(130)	Carbon Reduction Commitment (CRC)	£0.130m relates to the CRC underspend in 2013/14.	
(48)	Admissions &	Staff Savings	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
	Transport		
(18)	Education of Looked After Children	Costs in children’s education agency placements being less than anticipated.	
46	Various	Other minor overspends	

NHS Trust Managed S75 Budgets - Revenue Budget Summary

Month 2 Forecast Variance £'000	S75 Partnership	2013/14 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
147	Sussex Partnership Foundation NHS Trust (SPFT)	11,430	11,658	228	2.0%
65	Sussex Community NHS Trust (SCT)	641	702	61	9.5%
212	Total Revenue - S75	12,071	12,360	289	2.4%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note WTE = Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Sussex Partnership Foundation NHS Trust			
228	SPFT	Sussex Partnership NHS Foundation Trust are reporting an overspend of £0.456m at Month 5 (an increase of £0.274m from Month 2), reflecting growth pressures and an increase in need and complexity in Adult Mental Health and forensic services within residential and supported accommodation. In line with the agreed risk-share arrangements for 2013/14 any overspend will be shared 50/50 between SPFT and BHCC and this has been reflected in the overspend of £0.228m reported here.	There is ongoing scrutiny at Panel and identification of appropriate funding streams. The BHT Start project has been extended. Move on activity will remain a key element of work for Transitions team and Recovery services.
Sussex Community NHS Trust			
61	SCT	The pressure of £0.061m against the Integrated Community Equipment Store (ICES) budget reflects the continued increased demand for equipment and is a continuation of the trends seen in last financial year.	Options on service models will be reported to Adult Care & Health Committee in September.

Value for Money Programme Performance

Projects	Savings Target £m	Achieved £m	Anticipated £m	Uncertain £m	Achieved %
Adult Social Care	2.284	0.770	1.514	0.000	33.7%
Children's Services	2.660	1.423	1.992	0.000	53.5%
ICT	0.410		0.181	0.229	0.0%
Procurement	1.396		1.396	0.000	0.0%
Workstyles	0.440		0.440	0.000	0.0%
Business Process Improvement	0.320		0.320	0.000	0.0%
Accelerated Service Redesign (VS Scheme)	2.500	1.374		1.126	55.0%
Additional Management Savings 2012/13 (FYE)	0.175	0.149	0.000	0.026	85.1%
Client Transport	0.130		0.130	0.000	0.0%
Total All VfM Projects	10.315	3.716	5.973	1.381	36.0%

* These savings are retained by the service areas in which they occur.

Explanation of 'Uncertain' VfM Savings:

Key Variances £'000	Description	Mitigation Strategy for Uncertain Savings
Accelerated Service Redesign		
1,126	Accelerated Service Redesign required services to identify opportunities to accommodate staffing reductions through applications to a Voluntary Severance Scheme (VSS). The savings target of £3m (full year) was known to be challenging and at the conclusion of the process, there is a forecast shortfall. All VSS applicants have been considered and decisions agreed through a corporate panel set up to oversee the process - 98% of accepted applicants have signed	Options for addressing the in-year and full-year shortfalls are being considered and possible further service redesign opportunities are being looked at. However, if the saving cannot be achieved in full, this may require the use of risk provisions which were built into the approved budget in recognition of the level of risk inherent in achieving this saving and other complex or higher risk savings.

Key Variances £'000	Description	Mitigation Strategy for Uncertain Savings
	agreements. The process included an appeals procedure which has been completed and therefore it is not anticipated that any further savings will be generated directly through the VSS process.	
ICT		
229	A review of spending across all IT hardware and software categories in all services outside of the ICT service identified that spending has not always been consistent with corporate ICT strategy and also that potential procurement economies could be achieved. A full analysis of spend (and budgets) has now been undertaken across the council and a potential method of allocation identified. However, it has become clear that the method of allocation needs to be more sophisticated and will need to align with opportunities for cost reduction, which generally means understanding when IT contracts and licences are next up for renewal or review.	A more detailed piece of work is now being undertaken to gather information about patterns and timing of IT spend across services and the timing of potential reviews and renewals to ensure that this saving can be achieved without a detrimental impact on services.
Additional Management Savings 2012/13		
26	There is a small shortfall against the £0.400m Additional Management Savings 2012/13 of which the full-year effect of £0.175m is due to be achieved in 2013/14. The achieved savings of £0.374m resulted from two senior management restructures implemented by the Interim Chief Executive and subsequently completed and refined by the newly appointed permanent Chief Executive. The restructures resulted in a considerable number of changes which were originally estimated to meet the savings target in full but which after all posts and costs are now and in place and known has resulted in a small shortfall, mainly due to variances in estimated on-costs.	As these restructures are now closed and the new structure was implemented in April 2013, this small shortfall will be met from unallocated contingency.

Children’s Services – Capital Budget Summary

Forecast Outturn Month 2 £'000	Service	2013/14 TBM 2 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 3) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 5 £'000	Provisional Outturn Month 5 £'000	Provisional Variance Month 5 £'000	Provisional Variance Month 5 %
0	Child Health Safeguard and Care	630	0	0	326	956	956	0	0.0%
0	Education and Inclusion	17,585	0	0	(222)	17,363	17,363	0	0.0%
0	Schools	7,943	0	42	0	7,985	7,985	0	0.0%
0	Total Children’s Services	26,158	0	42	104	26,304	26,304	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
Child Health Safeguard and Care				
Budget Variation	326	Short Breaks for Disabled Children	Since April 2011 local authorities have been under a duty to provide a range of short breaks services for disabled children, young people and their families. This variation is the remaining part of the 2012/13 grant not yet allocated from the balance sheet, as delays have occurred due to the complexity of assessment for adaptations. A number of options are being explored as to how to use this allocation, including acquiring a property that could be used as a venue / residential place for the children.	
Education and Inclusion				
Budget Variation	(222)	Various school projects	There are 4 projects to be completed by Highways that will be funded from school planning agreements. These are: St Nicholas School £0.054m, St Peter’s School £0.020m, Aldrington School £0.060m and West Hove Primary Annexe at Holland Road £0.088m.	

Adult Services – Capital Budget Summary

Forecast Outturn Month 2 £'000	Service	2013/14 TBM 2 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 3) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 5 £'000	Provisional Outturn Month 5 £'000	Provisional Variance Month 5 £'000	Provisional Variance Month 5 %
0	Adults Assessment	274	0	0	0	274	274	0	0.0%
0	Adults Provider	1,815	0	200	0	2,015	2,015	0	0.0%
0	Commissioning and Contracts	401	0	780	0	1,181	1,181	0	0.0%
0	Total Adult Services	2,490	0	980	0	3,470	3,470	0	0.0%

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

None

Appendix 3 – Capital Programme Performance

Environment, Development & Housing (General Fund) – Capital Budget Summary

Forecast Outturn Month 2 £'000	Service	2013/14 TBM 2 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 3) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 5 £'000	Provisional Outturn Month 5 £'000	Provisional Variance Month 5 £'000	Provisional Variance Month 5 %
0	City Infrastructure	3,142	0	835	300	4,277	4,277	0	0.0%
0	City Regeneration	4,079	0	0	250	4,329	4,329	0	0.0%
0	Planning & Public Protection	18	0	0	0	18	18	0	0.0%
0	Transport	9,740	0	0	222	9,962	9,962	0	0.0%
0	Housing	5,085	0	0	0	5,085	5,085	0	0.0%
0	Total Environment, Development & Housing GF	22,064	0	835	772	23,671	23,671	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
City Infrastructure				
Budget Variation	300	The Level Project – Café	<ul style="list-style-type: none"> The café building was designed to be founded on a chalk layer (which was identified as present by a ground survey of the surrounding area). However the conditions varied from this under the old mess room building, which meant that the design of the foundations needed to be changed to pilings. This led to higher construction costs, increased professional fees and increased preliminary costs due to the delay in programme to both café and landscape contractors. Unplanned works to remediate the north lawns which have become very compacted over years of use and were suffering drainage problems. The 	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			<p>extent of this only became obvious once the grass had been removed to allow seeding.</p> <ul style="list-style-type: none"> • Unplanned works to close off a damaged underground culvert, which did not show up in any service plans or ground survey, and put in new drainage. • Contingency (10%) was allowed, as is typical for these types of schemes, which has covered all unexpected costs except those detailed above. These are essential to the scheme, provide a long term benefit and/or are more cost effective to complete now rather than wait until the next financial year. <p>It is proposed to borrow against the income generated by the new café premises, which is ring fenced for The Level. The annual rent is £0.029m and repayments will be made over the duration of the 15 year lease term. This will ensure operational revenue budgets are protected for parks maintenance.</p>	
Budget Variation	0	Hollingdean depot	<p>Budget Council in February 2013 agreed an allocation of £1m over 2013/14 and 2014/15 towards the replacement of the vehicle maintenance workshop at Hollingdean Depot. Detailed plans have been drawn up and the latest estimate for build costs provided by the quantity surveyor, replacement equipment and ICT costs is £1.5m. There is a further option to incorporate a mezzanine within the workshop to provide office accommodation to replace the current portacabins and avoid ongoing leasing costs and this is estimated at £0.3m. It is proposed to earmark £0.8m of the 2013/14 corporate risk provision on a one off basis to fund these additional works, this will avoid borrowing that would incur ongoing financing costs. £0.3m of this allocation for the mezzanine is subject to final agreement with the corporate property officer over the accommodation use across the depot site. This allocation will be added to the 2014/15 capital programme as the timing of the expenditure will not fall in this financial year however for the scheme to progress the funding needs to be in place.</p>	
City Regeneration				
Budget	250	Major Projects	In the 2013/14 capital budget presented at Budget Council there was £0.250m for	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
Variation			<p>Major Projects from the Strategic Investment Fund. This funding needed to be split over the projects and this has now been allocated as follows:</p> <ul style="list-style-type: none"> • Improvements to New England House £0.020m, • Development of Black Rock Site £0.038m, • Preston Barracks £0.034m, • Circus Street development £0.029m, • Open Market £0.034m, • Falmer Released Land £0.016m, • The Keep £0.049m, • Falmer Community Stadium £0.012m, • i360 project £0.015m, • Redevelopment of King Alfred Swimming Pool £0.002m, and • Brighton Centre Development £0.001m. 	
Transport				
Budget Variation	222	Highways	See Education and Inclusion under Children’s Services above for an explanation of this budget variation	

Environment, Development & Housing (Housing Revenue Account) – Capital Budget Summary

Forecast Outturn Month 2 £'000	Service	2013/14 TBM 2 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 3) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 5 £'000	Provisional Outturn Month 5 £'000	Provisional Variance Month 5 £'000	Provisional Variance Month 5 %
0	City Regeneration	1,600	0	0	0	1,600	1,600	0	0.0%
0	Housing	33,500	0	0	(1,524)	31,976	31,852	(124)	-0.4%
0	Total Environment, Development and Housing HRA	35,100	0	0	(1,524)	33,576	33,452	(124)	-0.4%

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

Detail Type	£'000	Project	Description	Mitigation Strategy
Housing				
Variance	393	Communal Gas	After completing and reviewing the feasibility study carried out on Lindfield Court and Jubilee Court, more works were required than were originally budgeted for in 2013/14. The savings from the structural repairs capital budget will fund the budget shortfall.	Savings from other projects will finance these additional funding requirements.
Variance	(701)	Structural Repairs	Savings have been identified against the structural repairs capital budget for the Nettleton and Dudeney project. This major project has been undertaken over two financial years, 2012/13 and 2013/14, and the procurement led to significant cost savings compared to the original budget. These savings will be used to fund the additional resources required for the Communal Gas projects at Lindfield Court and Jubilee Court £(0.393m), increasing the fire safety HRA revenue budget for	Savings to be used to fund other project variations.

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			surveys £(0.200m), and funding various other commitments within the capital programme identified within this report.	
Variance	280	Establishment Costs - Apprentices	An agreement with the Repairs and Improvement Partnership was reached to contribute towards the costs of training apprentices. These costs will be allocated to the relevant capital programme projects during 2013/14.	Savings from other projects will finance these additional funding requirements.
Variance	200	Fire Safety	A recent review of Fire Risk Assessments with the Fire Brigade in 2 areas (Craven Vale & Bates Estate) has resulted in a new programme of assessments and works which will require additional budget of £0.200m.	Savings from other projects will finance these additional funding requirements.
Variance	200	Domestic Rewire	An increased level of work has been identified in order to ensure meeting the Decent Homes target by 2013 and an increase in the level of mutual exchanges & empty properties requiring rewiring.	Savings from other projects will finance these additional funding requirements.
Reprofile	(147)	Windows	The windows project at Essex Place is part of the major cladding project and the impact of the extensive consultation has delayed the commencement of these works.	
Reprofile	(31)	Condensation and damp works	Condensation and damp works reprofile of £(0.031m).	
Reprofile / Variance	(1,346) / (372)	Cladding	The reprofiling of a proportion of the cladding budgets for Bristol Estate £(0.687m) and Essex Place £(0.659m) is required following feasibility studies which have highlighted additional works required and due to extensive stakeholder consultation with tenants and leaseholders. Extensive consultation with leaseholders, tenants and members at Essex Place relating to enclosed balconies has delayed the commencement of this project. Savings have been identified following the completion of the Kingfisher Court project which are being used to fund other commitments within this report.	There are sufficient resources available to cover any emergency repairs that may arise in the intervening period.

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
Underspends	(124)	Various	Minor underspends relate to: Roofing £(0.048m), Citywide Loft Conversions and external projects £(0.018m), Asbestos £(0.026m), Solar PV £(0.010m), Domestic Rewire £(0.008m), Portslade Police station £(0.007m) and other small underspends of £(0.007m).	

Appendix 3 – Capital Programme Performance

Assistant Chief Executive - Capital Budget Summary

Forecast Outturn Month 2 £'000	Service	2013/14 TBM 2 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 3) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 5 £'000	Provisional Outturn Month 5 £'000	Provisional Variance Month 5 £'000	Provisional Variance Month 5 %
0	Corporate Policy Performance & Communities	10	0	0	0	10	10	0	0.0%
0	Royal Pavilion Arts & Museums	4,702	0	0	0	4,702	4,702	0	0.0%
0	Sports & Leisure	3,093	0	0	(238)	2,855	2,695	(160)	-5.6%
0	Tourism & Venues	4,512	0	510	0	5,022	5,022	0	0.0%
0	Total Assistant Chief Executive	12,317	0	510	(238)	12,589	12,429	(160)	-1.3%

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

Detail Type	£'000	Project	Description	Mitigation Strategy
Sports & Leisure				
Reprofile	(238)	Volks Railway Shed	<p>The train sheds have significantly deteriorated and water ingress is a regular occurrence. This makes repairs and restoration of the trains extremely difficult and causes them to deteriorate more rapidly. If the trains cannot be maintained to the required standard set by Her Majesty's Railway Inspectorate then this will ultimately lead to the trains being taken out of service. This would affect the level of service provided by the council and have a negative impact on income generation and budget targets.</p> <p>The budget estimate for the project currently exceeds the allocated funding. The scheme has been redesigned and value engineered but still far exceeds the budget. A funding bid to the Coastal Communities Fund was submitted last September in an attempt to finance the new sheds however this bid was</p>	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			unsuccessful. A new bid to the Heritage Lottery Fund is currently being developed, however this process will take a further 2 years before a decision is made. Therefore, the budget should be reprofiled to financial year 2015/16.	
Underspend	(160)	Withdean Athletics Track	The project manager of the Withdean Athletics Track has reported that there is an expected underspend of £(0.160m) on this scheme.	

Appendix 3 – Capital Programme Performance

Finance, Resources and Law - Capital Budget Summary

Forecast Outturn Month 2 £'000	Service	2013/14 TBM 2 Budget £'000	Reported at other Meetings £'000	New Schemes (appendix 3) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 5 £'000	Provisional Outturn Month 5 £'000	Provisional Variance Month 5 £'000	Provisional Variance Month 5 %
0	City Services	2,301	0	0	92	2,393	2,393	0	0.0%
0	HR Organisational Development	208	0	0	0	208	208	0	0.0%
0	ICT	1,826	0	0	0	1,826	1,826	0	0.0%
0	Property & Design	4,938	1,160	0	0	6,098	6,098	0	0.0%
0	Finance	27	0	0	0	27	27	0	0.0%
0	Total Finance, Resources and Law	9,300	1,160	0	92	10,552	10,552	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				
Variation	92	Woodvale Cremators for Mercury Abatement	<p>There needs to be additional works to the Woodvale Cremators for Mercury Abatement project and to improve the customer experience at Woodvale in a number of important areas. The additional sums will be from borrowing repaid from revenue over 15 years.</p> <p>The key additional works and rationale for each are as follows:</p> <ul style="list-style-type: none"> Hearing loop system – in response to lobbying by a local campaigner, upgrades to the existing provision for people with hearing difficulties have been identified. Hearing loops are being installed in all three of the 	.

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			<p>Woodvale chapels, ensuring that we comply fully with our obligations under the Disability Discrimination Act at a cost of £0.012m.</p> <ul style="list-style-type: none"> • Music System – we are also taking the opportunity to upgrade our music system in the North and South Chapel and Woodvale. The existing system has been the source of complaints and we will also take the opportunity to integrate the music and hearing loop systems. This will help to provide an improved customer experience at funeral services, particularly for those with hearing loss. The cost of this will be £0.016m. • Chimney flues – due to the condition of the existing flues serving the cremators at Woodvale, we need to replace them. Rather than spend a significant portion of the project contingency on this work at this stage of the project, we would propose to extend the budget to accommodate the works. These works are essential to ensure the new cremators can be commissioned and operational. The estimated cost of this is £0.016m. • Roof Repairs – the flat roof to the crematory at Woodvale requires some repairs to ensure it remains water-tight into the future. Rather than undertake limited repairs at this stage, we would like to take the opportunity to re-cover the roof with a liquid-applied coating to prevent deterioration and future disruption and expenditure. The cost of this is estimated to be £0.016m • Generator – the generator needs to be moved out of its current storage location, as it is damp and causing rust. The proposal is to construct a building near to the mortuary to house the generator. Also a cable connecting the generator to the mortuary needs upgrading to ensure that the power supply will be reliable in the event of it being required. The cost of this will be £0.032m. 	

New Capital Project Approval Request				
Unit:	Children's Services (Education and Inclusion)			
Project title:	Longhill School ICT Equipment			
Total Project Cost (All Years)	£41,910			
Purpose, benefits and risks:				
The purpose of the unsecured borrowing is to purchase the school's annual computer replacements. The school's computers are replaced every five years and the annual payment is planned for within the budget.				
Capital expenditure profile (£'000):				
Year	2013/14	2014/15	2015/16	TOTAL
Unsupported Borrowing	42	0	0	42
Total estimated costs and fees	42	0	0	42
Financial implications:				
The purchase of IT equipment for Longhill School will be funded by unsupported borrowing over a 5 year term. Longhill School ended the 2012/13 financial year with an underspend of £0.274m and has factored the future repayments of £0.042m into their multi-year budget plan submitted to the Schools Finance Team. Should the school convert to an academy during the lifetime of the loan, liability for any outstanding repayments would normally transfer to the academy, subject to the necessary terms and conditions being contractually agreed between the parties.				

New Capital Project Approval Request

Unit: Adult Services (Adults Provider & Commissioning and Contracts)
 Project title: Environment of Care for People with Dementia Programme
 Total Project Cost (All Years): £980,000

Purpose, benefits and risks:

Brighton and Hove has significant numbers of people over 85 with dementia, both diagnosed and undiagnosed, and high numbers of people with alcohol related dementia. This means that, despite having lower prevalence of dementia in early old age than the national average, the care environment is particularly important. As part of a national funding programme by Department of Health, Brighton & Hove City Council has been successful in securing £0.980m of capital funding to support the following care pathways:

- (1) Prevention/community based services - Services that support people in the community, promote health and wellbeing and minimise the need for more intensive support.
- (2) Acute Hospital services, provided by Sussex Partnership NHS Trust (SPFT) and Brighton and Sussex University Hospitals NHS Trust (BSUH).
- (3) Community Short Term Services - Short term, care home and community services that provide rehabilitation and enablement following a crisis or are put in place to prevent a crisis.
- (4) Residential Care Homes - 'Traditional' providers of care to older people.

In each of these care settings, tangible physical improvements will be introduced with the aim of significantly improving the experience and outcomes of people with dementia.

Capital expenditure profile (£'000):

Year	2013/14	2014/15	2015/16	TOTAL
Environment of Care for People with Dementia Grant	980			980
Total estimated costs and fees	980			980

Financial implications:

The grant is from the Department of Health and must be used in the 2013/14 financial year. Any officer time involved in supporting the programme will be met from within existing revenue budgets.

New Capital Project Approval Request

Unit:	Environment, Development & Housing GF (City Infrastructure)
Project title:	City Centre Communal Recycling project
Total Project Cost (All Years):	£684,741

Purpose, benefits and risks:

The city centre has a high housing density and a high turnover of population with many properties lacking outside space, leading to lower recycling rates using the black box collection scheme. Where residents do use this scheme, the boxes tend to be used as litter bins by passers by, resulting in contaminated contents and wind blown litter. After a consultation, the residents showed a strong preference for communal recycling bins. Communal recycling would lead to revenue savings and more efficient use of staffing resources.

Capital expenditure profile (£'000):				
Year	2013/14	2014/15	2015/16	TOTAL
DCLG Weekly Collection Grant	685			685
Total estimated costs and fees	685			685

Financial implications:

The capital set up costs of the scheme will be funded from the Department of Communities & Local Government Weekly Collection Support Scheme grant, which has been awarded to the council to specifically fund the provisions associated with the communal recycling scheme.

New Capital Project Approval Request

Unit:	Environment, Development & Housing GF (City Infrastructure)
Project title:	Redevelopment of Brighton Household waste Recycling Site (HWRS)
Total Project Cost (All Years):	£150,000

Purpose, benefits and risks:

Brighton HWRS is located on Wilson Avenue. The main site building was destroyed by fire several years ago. This was the second time it had burnt down. This project seeks to use the insurance money to change the layout of the site and make it split level. A split level site is easier for residents to use as they do not need to walk up steps to throw waste into containers. It reduces the risk of trip hazards and separates the residents from the site operation. Layout will be improved to improve recycling rates and reduce the amount of time the site is closed while skips are moved on site.

Capital expenditure profile (£'000):				
Year	2013/14	2014/15	2015/16	TOTAL
External contribution (including S106)	75			75
Waste PFI Reserve	75			75
Total estimated costs and fees	150			150

Financial implications:

The cost of creating a split level site is £0.150m more than the insurance money available. It is proposed that the shortfall is funded equally between the contractor and the Waste PFI Reserve.

New Capital Project Approval Request				
Unit:		Assistant Chief Executive		
Project title:		Retail Units West of West Pier (Seafront)		
Total Project Cost (All Years):		£510,000		
Purpose, benefits and risks:				
<p>The structure of these arches is maintained by the council as the Highway Authority and several years ago they were closed as they were assessed to be structurally unsound. The Highways Authority has funded the rebuild of the structure and the project requires unsupported borrowing to fund the fit-out cost of these arches in order to create new retail units for small businesses. The completion of these units will provide a new retail quarter which will regenerate this underutilised section of the seafront. There has already been significant interest received, and there is confidence in obtaining full occupancy and a total annual rental income of £0.100m.</p>				
Capital expenditure profile (£'000):				
Year	2013/14	2014/15	2015/16	TOTAL
Unsupported Borrowing	510			510
Total estimated costs and fees	510			510
Financial implications:				
<p>The financing costs associated with borrowing £0.510m over a 10 year period will be met from the income stream associated with letting the units estimated at £0.1m per annum. The additional income after repaying borrowing costs will be used to support maintenance budgets including costs the council may incur for the upkeep of the arches and units.</p>				

Subject:	Strategic Risk Review 2013-14 & Risk Management Action Plans – Updated October 2013		
Date of Meeting:	19 November 2013		
Report of:	Executive Director Finance & Resources		
Contact Officer:	Name:	Jackie Algar	Tel: 29-1273
	Email:	Jackie.algar@brighton-hove.gov.uk	
Ward(s) affected:	All		

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

- 1.1 The Audit & Standards Committee has a role to monitor and form an opinion on the effectiveness of risk management and internal control. As part of discharging this role, it reviews the Strategic Risk Register, recently updated by the Executive Leadership Team (ELT) as attached at Appendix 1.
- 1.2 The Strategic Risk Assessment Report at Appendix 2, provides further details on the actions taken (mitigating controls) and planned actions (“solutions”) to manage specific strategic risks.

2. RECOMMENDATIONS:

- 2.1 That the Audit & Standards Committee notes the revised Strategic Risk Register (Appendix 1).
- 2.2 That the Audit & Standards Committee notes the Risk Management Action Plans or “Risk MAPs” contained in the Strategic Risk Assessment Report October 2013 (Appendix 2).

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The Strategic Risk Register details the current prioritised issues which may affect the achievement of the council’s priorities, including in relation to its work with other organisations across the city. It is reviewed and agreed by the ELT and reviewed every six months (usually May and November).
- 3.2 This Strategic Risk Register provides evidence of a risk aware and risk managed organisation. Generally, it reflects risk scenarios that will be common to comparable local authorities in this current period of change and financial challenge for the public sector and considers how these relate specifically to the city council.

3.3 Summary of the main changes made to the Strategic Risk Register:

There are 11 strategic risks in total.

No risks were removed or replaced by ELT on this occasion.

3 NEW RISKS

- SR16 – Health & Social Care Modernisation/Integration
- SR17 – School Places Planning
- SR18 – Effective use of technology

1 RISK WITH AN INCREASED RISK SCORE

- SR10 – Information Governance Management. The residual risk score has been increased from Amber (Likelihood = 3 Possible x Impact = 3 Moderate) to Red (Likelihood = 4 Likely x Impact = 4 Major) due to increasing security demands required by the Cabinet Office which must be met if an organisation is to access the Public Service Network to share information which is necessary for service delivery. There has already been significant work to address Information Governance but requirements continually rise and need to be met.

7 RISKS WITH NO CHANGE TO RISK SCORE as circumstances continue to evolve

- SR2 Financial Outlook
- SR4 Economic Resilience
- SR8 Becoming a more Sustainable City
- SR11 Welfare Reform
- SR13 Keeping vulnerable adults safe from harm and abuse
- SR14 Pay & Allowances Modernisation
- SR15 Keeping children safe from harm and abuse

- 3.4 Strategic Risk Management Action Plans for all Strategic Risks have been updated following ELT's review and are reported as Appendix 2 to this report.

4. **COMMUNITY ENGAGEMENT AND CONSULTATION**

- 4.1 Consultation has taken place with the council's Executive Leadership Team, the Corporate Management Team and representatives of all the political parties.

- 4.2 The Strategic Risk Register will be sent to the City Management Board partners for information which reflects the city wide performance & risk management approach.

5. **FINANCIAL & OTHER IMPLICATIONS:**

Financial Implications:

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

through the budget monitoring process and budget strategy development.

Finance Officer Consulted: James Hengeveld

Date: 17/10/13

Legal Implications:

- 5.2 This report comes before Audit & Standards Committee in order for the Committee to discharge its function of providing independent assurance of the adequacy of the council's risk management and associated control environment. Having reviewed the latest Strategic Risk Register and the Risk Management Action Plans or "Risk MAPs" contained in the Strategic Risk Assessment Report, the Committee may, if it considers it appropriate, make recommendations to Full Council, Policy & Resources Committee, one or more officers or another relevant body in the council.

Lawyer Consulted:

Oliver Dixon

Date: 14/10/13

Equalities Implications:

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

Sustainability Implications:

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

Any Other Significant Implications:

- 5.5 None.

SUPPORTING DOCUMENTATION

Appendices:

1. Strategic Risk Register 2013/14 – reviewed by ELT September 2013.
2. Strategic Risk Assessment Report – October 2013.



Documents in Members' Rooms

1. None.



Background Documents

1. None.



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See final page for information on risk scoring and terms used. Note that no risks were removed or replaced.

Strategic Risk No.	Risk Title and Owner	Council Priority	Background and Risk Scenario and Potential Consequences A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives (including contribution to the Sustainable Community Strategy)	Risk Category	Initial Likelihood (L)	Initial Impact (I)	Risk Score L x I (Dot indicates RAG rating)	Mitigating Controls and Actions currently include (but are not limited to)	Residual Likelihood (L) Score	Residual Impact (I) Score	Residual Risk Score L x I
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16	<p>Health and Social Care Modernisation/ Integration</p> <p>Executive Director Adult Social Care</p> <p>Denise D'Souza</p>	ALL	<p>Background: The Care Bill is progressing through Parliament with implications for:</p> <ul style="list-style-type: none"> - Safeguarding; - Funding of Social Care; - Contributions for Care costs (Dilnot report) - Increased duties in respect of carers <p>The changes to funding (the Integration Transformation Fund 'ITF') affect how the whole system of social care, across the public and private sectors, works together. This in a backdrop of already significant changes to the NHS still being implemented and reduced budgets for ,and increased savings required from Local Government.</p> <p>Risk Scenario</p> <p>For ITF there is a short timescale which combines with the other significant challenges already being addressed and the need for the whole system of social care to work together to deliver the performance targets for ITF.</p> <p>The current statutory duties of the council continue but more will be added; there will be different elements and responsibilities of partners so that the whole system of social care will need review and work to manage challenges such as capacity, set up time, need to quantify additional work, whilst meeting existing duties.</p>	Economic/ Financial	5	4	<p>20</p> <p></p> <p>RED</p>	<ul style="list-style-type: none"> § Meetings with Clinical Commissioning Group (CCG) to develop ITF plan to be submitted by March 2014; § Review of Safeguarding Board to ensure that arrangements will be fit for purpose when the legislation comes into effect; § Review of the fitness of purpose of Health and Wellbeing Board for new expectations and governance of the ITF (Integration Transformation Fund); § Some project support available to supports Carers and implications of new bill; § Modernisation Board set up to pull together many work streams and projects and will prioritise actions; § Already a small number of local authority social care staff working on 7 days contracts, and work continues to incorporate into new contracts; § Working with partners to inform and influence all parties involved in social care provision so that understanding, capacity and performance meets new requirements. 	4	4	<p>16</p> <p></p> <p>RED</p> <p>NEW</p>




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17	School Places Planning Executive Director Children's Services Pinaki Ghoshal	2. Creating a More Sustainable City	Background: The Council has a statutory role to ensure primary and secondary school places meet future need. There has been an upturn in the birth rate so that since 2003, the number of school aged children living the city has been increasing year on year therefore pupil places are increasingly challenged. This is particularly acute in areas when in previous years pupil yield has previously been very much lower. While previously there has been a focus on primary school places in the next few years we will have a significant pressure on secondary school places. Risk Scenario: Parents may not be feel able to secure a place for their child in the local community; there may be increased travelling. Without identifying new sites, existing schools may become overcrowded or larger.	Customer/ citizen	4	4	16  RED	<ul style="list-style-type: none"> § 465 new primary school places (15.5 classes) added in last five years; § Two new free schools opened in city; § Four class junior site to open on Hove Police Station site September 2014; § Work with Members on a cross-party basis and with partners to bring forward proposals and share understanding; § Regular review of pupil number forecasting has made it clear that primary growth starts to reach secondary schools by 2014, with the issue becoming acute in subsequent years. The future need focus relates to secondary school places; § New cross party school place planning group chaired by Risk Owner. 	3	4	12  AMBER NEW




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18	<p>Effective use of technology</p> <p>Executive Director Finance & Resources</p> <p>Catherine Vaughan</p>	4. Modernising the council	<p>Background: The Modernising the Council priority is dependant on a high quality of ICT infrastructure and service, and staff who are able to make the most of the technology available to them. Customers' expectations of how they are able to interact with the council relies on effective use of technology.</p> <p>Risk Scenario: If we do not invest appropriately in technology and its effective use, we will be unable to deliver sufficient efficiency savings and meet customer expectations.</p>	Customer/ citizen	4	4	16  RED	<ul style="list-style-type: none"> ⊗ ICT Strategy; ⊗ ICT investment plan (partially funded); ⊗ Current investment in new network and roll out of new Microsoft Operating Suite; ⊗ ICT workforce planning ideas shared within council and SE7 partners; ⊗ Improving Customer Experience Board includes focus on measures to enhance customers' experience and digital access to council services. 	4	4	16  RED NEW




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10	<p>Information Governance Management</p> <p>Senior Information Risk Officer</p> <p>Abraham Ghebre-Ghiorghis</p> <p>and</p> <p>Executive Director Finance & Resources</p> <p>Catherine Vaughan</p>	ALL	<p>Background:</p> <p>The council must operate to a high standard of information governance within the overall context of openness and transparency. The Cabinet has implemented a “zero tolerance” policy for access to the national Public Services Network (PSN).</p> <p>Risk Scenario:</p> <p>The council recognises that if it fails to manage data effectively then :</p> <ul style="list-style-type: none"> * 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 * The Council risks cut off from PSN if it does not meet the security requirements which would be business critical for many services. 	Customer/Citizen	5	4	<p>20</p> <p></p> <p>RED</p>	<ul style="list-style-type: none"> § Information Management Board oversees this risk; § Open Government Licence implemented to support open government agenda and records management; § Freedom of Information requests – streamlined process being developed. § Specific project governance arrangements in place for meeting PSN Code of Connection (CoCo) requirements § Re-prioritisation of all ICT project work until CoCo compliance achieved. 	4	4	<p>16</p> <p></p> <p>RED</p> <p></p>



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12	<p>Maintaining Seafront as an asset to the city</p> <p>Assistant Chief Executive</p> <p>Paula Murray</p> <p><i>and</i></p> <p>Executive Director Environment, Development & Housing</p> <p>Geoff Raw</p>	2. Creating a More Sustainable City	<p>Background: The city council is the lead custodian of the city's iconic seafront. This involves both maintenance of historic infrastructure and development of key and iconic sites. The seafront is the city's shopfront, a very significant attraction in our visitor economy and a series of important public spaces for our residents. There are 5 million people along our seafront every year.</p> <p>Risk Scenario: The heritage structures and infrastructure managed by the council along the seafront require significant investment. Not all existing assets have received the investment needed to meet the changing patterns and demands of usage. The arches which house many of the seafront businesses are intrinsic to the seafront's commercial success and are part of the structural support for the city's major highway the A259 road and footways, many of the structures require significant refurbishment and are under constant monitoring. Madeira Terraces is another current example, where extensive additional financing and resources are needed to meet the refurbishment needs identified.</p>	Physical	5	4	<p>20</p> <p></p> <p>RED</p>	<ul style="list-style-type: none"> § Seafront arch repair programme to be delivered over 10 years from 2012; § Commissioned structural surveys, e.g. principal inspection of Madeira Terrace and a programme of structural surveys of arches and other seafront structures; § Ongoing visual inspection on day to day basis by seafront team; § Specialist functions involved in internal cross council working group to identify, prioritise and report issues; § Ongoing visual inspection on a day to day basis by seafront team; § Works undertaken to stabilise West Street Shelter Hall; § Agreement for Scrutiny exercise to explore all possibilities for future funding. 	4	4	<p>16</p> <p></p> <p>RED</p> <p></p>




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2	Financial Outlook for the Council Executive Director Finance & Resources Catherine Vaughan	ALL	Background: Reductions in central government funding are expected to continue well beyond the current Comprehensive Spending Review period through to 2020. The changes to local government funding introduced in 2013/14 will also transfer greater risks to the council, particularly in relation to Business Rate valuation appeals. There is a cumulative impact of reductions in government funding to other public agencies in the city. Risk Scenario: The council will need to continue robust financial planning in a highly complex environment. Failure to do so could impact on financial resilience and mean that outcomes for residents are not optimised.	Economic/ Financial	5	4	20  RED	§ Ongoing review of the adequacy of risk provisions and reserves to support the budget strategy and to ensure financial resilience; § Closer alignment of Corporate Plan and MTFs; § City Management Board and Finance Directors reviewing city wide impact and opportunities for joint budget planning; § Development of skills and knowledge to support options appraisal of new delivery models; § Ongoing consultation and engagement plan for budget setting including with staff, partners, business sector and Community & Voluntary Sector; § Close monitoring of council tax and business rates income and regular updating of forecasts.	4	4	16  RED 




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14	Pay & Allowances Modernisation Chief Executive Penelope Thompson	4. Modernising the council	Background: The pay, terms and conditions of employees of Brighton & Hove City Council are constructed from a number of different sources. Key terms and conditions such as pension rights and entitlement to sick pay are agreed nationally. Basic pay is governed by the council's job evaluation and grading system which was implemented in January 2010 and the rates of pay are set in accordance with nationally agreed pay scales. In addition, a significant number of staff receive allowances and additional payments because of the nature and pattern of the work that they do. These allowances are locally determined but over time the current system has become complex, is based on historic requirements and is no longer fit for purpose. Pay Modernisation is designed to implement a new system of allowances that is fair, consistent, modern and transparent and takes into account relevant legislation and case law, in particular in relation to equal pay and broader employment law. Risk Scenario: Pay Modernisation is critical to ensure a fair, consistent, modern and transparent system of pay. Failure to implement an appropriate system of pay could lead to significantly greater legal and financial risks in future; service disruption during the implementation phase; and reputational damage.	Professional/Managerial	4	4	16  RED	<ul style="list-style-type: none"> § Agreement from Policy & Resources Committee to negotiate new allowances structure; § Clear officer governance structure set up for communications , negotiations and decision-making; § Clear communication strategy for members, staff and officers; § Identified staff and other resources in Finance, Legal and HR to support negotiations, pay modelling and financial and legal implications; § Refreshed Business Continuity Plans. 	3	4	12  AMBER ↕




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11	<p>Welfare Reform</p> <p>Executive Director Finance & Resources</p> <p>Catherine Vaughan</p>	ALL	<p>Background:</p> <p>The government is implementing widespread welfare reforms and support for council tax has been localised. Introduction of the Universal Credit initiative and changes to housing benefits are expected to have a wide-ranging impact on the council and the city.</p> <p>Risk Scenario:</p> <p>There will be significantly less housing benefit funding in the city. It is complex to predict the impact on individuals and households. There may be increased risk of vulnerability, homelessness and an impact on income collection.</p>	Economic/ Financial	4	4	<p>16</p> <p></p> <p>RED</p>	<ul style="list-style-type: none"> § Cross-council programme management approach to welfare reform, links with other strategies i.e. financial inclusion, digital inclusion, Stronger Families, Stronger Communities Partnership; § Additional funding to implement welfare reform included in the budget; § Financial Inclusion Policy agreed; § Additional discretionary funding identified and policies agreed; § Monitoring framework developed to assess service and equalities impacts of welfare reform; § Close monitoring of income collection from council tax, housing rents and corporate critical homelessness budget; § Approach to implementation of social housing sector size criteria agreed at Housing Committee. 	3	4	<p>12</p> <p></p> <p>AMBER</p> <p></p>



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13	<p>Keeping vulnerable adults safe from harm and abuse</p> <p>Executive Director Adult Social Care</p> <p>Denise D'Souza</p>	1. Tackling Inequality	<p>Background: Keeping vulnerable adults safe from harm and abuse is a legal responsibility of the council. Brighton & Hove City Council have a statutory duty to co-ordinate safeguarding work across the City, and to lead the Safeguarding Adults Board which oversees work locally, in partnership with Police, Health and Social Care providers. Over 1400 concerns were raised last year about vulnerable people, 700 progressed to safeguarding referrals requiring investigation. Clarity around CCG (Clinical Commissioning Group) responsibility and area team Surrey/Sussex is unclear. NHS colleagues awaiting guidance from NHS England.</p> <p>Risk Scenario: Cases are more complex and demands can vary. The council is able to respond appropriately at a time of change and contact is vital to protect those most vulnerable.</p>	Customer/Citizen	4	4	<p>16</p> <p></p> <p>RED</p>	<ul style="list-style-type: none"> § Awareness through messages and training; § Safeguarding Board workplan; § Learning from serious case reviews, coroners concerns and case review from national work; § Good multi-agency work: Pilot role and access point from Police; § Audit of Safeguarding investigations and alerts (to check as appropriate); § Maintain the role and numbers of professional social workers through service redesign and voluntary severance to ensure capacity; § Agreed process for escalation with NHS Surrey/Sussex to ensure timelines of clinical investigations; § Multi-agency training in place for better awareness, investigation management; § Highly motivated social workers § Assessment of need using agreed threshold policies and procedures; § Staff provided with learning opportunities and undertake continuous professional development. 	3	4	<p>12</p> <p></p> <p>AMBER</p> <p></p>

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15	<p>Keeping children safe from harm and abuse</p> <p>Executive Director Children's Services</p> <p>Pinaki Ghoshal</p>	1. Tackling Inequality	<p>Background: Keeping vulnerable children safe from harm and abuse is a legal responsibility of the Council. Legislation requires all local authorities to act in accordance with national guidance (Working Together) to ensure robust safeguarding practice. This includes the responsibility to ensure an effective Local Safeguarding Children Board which oversees work locally and in partnership with Police, Health and social care providers. The numbers of children in care, and with Child Protection and Children in Need plans, are significantly higher than in similar authorities.</p> <p>Risk Scenario: The complexity of circumstances for many children presents a constant state of risk. Understanding and managing risk demands informed and reflective professional judgement, and often urgent and decisive action, by all agencies using agreed thresholds and procedures. Such complexity inevitably presents a high degree of risk. Children subject to abuse and neglect are unlikely to achieve and maintain a satisfactory level of health or development, or their health and development will be significantly impaired. In some circumstances, abuse and neglect may lead to a child's death.</p>	Customer/ citizen	4	4	<p>16</p> <p></p> <p>RED</p>	<ul style="list-style-type: none"> § LSCB Work Plan and strong leadership by the Independent Chair; § Serious Case, Local Management and Child Death Reviews to identify and learning and action for improvement; § Report delivered to LSCB following robust audit of multi-agency case files and safeguarding practice; § Clarity regarding roles, responsibilities and accountabilities of all professionals and agencies; § Robust assessment of need using agreed thresholds, policies and procedures; § Continuous professional development and learning opportunities; § Development of an Early Help Strategy and Integrated Teams providing targeted support to the most troubled families (Stronger Families, Stronger Communities programme); § Plans to introduce a MASH (Multi assessment safeguarding hub). 	3	4	<p>12</p> <p></p> <p>AMBER</p> <p></p>

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4	<p>Economic Resilience and Sustainable Economic Growth</p> <p>Executive Director Environment, Development & Housing</p> <p>Geoff Raw</p>	2. Creating a more Sustainable City	<p>Background: The council has a significant role in championing the city economy and attracting inward investment. It uses its own land and property portfolio to contribute to this alongside a range of policy levers including: housing, planning, economic development, leisure, tourism, education performance and public investment powers.</p> <p>Risk Scenario: If the council does not do this effectively: * The city's economy falters in the wake of difficulties in the national and international economy * Business, community, employee and employment expectations and aspirations not met and reputation affected * Failure to sustain local businesses and attract new investment in the city * Failure to achieve Corporate Plan objectives. * Business Rate income to the city is adversely affected.</p>	Economic/ Financial	4	4	<p>16</p> <p></p> <p>RED</p>	<p>§ Greater Brighton City Deal initiative has established governance arrangements to support local economic growth and well being;</p> <p>§ The Council continues to work closely with the Local Enterprise Partnership to influence the economic development strategy and has successfully bid for Growing Places Funding; Council is exploring a variety of policy and financial levers to unlock sustainable growth including housing led regeneration with the Housing & Communities Agency and is bringing forward a number of infill site development opportunities;</p> <p>§ The City Plan will take account of new legislation affecting planning, including s106 requirements; changes to the classes order; and impacts on citizens, developers and businesses.</p>	3	4	<p>12</p> <p></p> <p>AMBER</p> <p>↕</p>

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Strategic Risk No.	Risk Title and Owner	Council Priority	Background and Risk Scenario and Potential Consequences A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives (including contribution to the Sustainable Community Strategy)	Risk Category	Initial Likelihood (L)	Initial Impact (I)	Risk Score L x I (Dot indicates RAG rating)	Mitigating Controls and Actions currently include (but are not limited to)	Residual Likelihood (L) Score	Residual Impact (I) Score	Residual Risk Score L x I
					Score	Score			Score	Score	Score
08	Becoming a more sustainable city Executive Director Environment, Development & Housing Geoff Raw	2. Creating a more Sustainable City	<p>Background: The council has an important civic leadership role in working with others to prepare the city for the impact of severe weather events and mitigate the long term impact of climate change. This includes: * working with the Environment Agency to review and manage the risks of coastal and surface water flooding. * strengthening the resilience of the city's energy, waste management, water and land resource arrangements * improving the environmental performance of council buildings and facilities * reducing any adverse environmental impacts arising from the operation and delivery of council services.</p> <p>Risk Scenario: Depending on the council's actions, it may affect: * compliance with our commitment to be a One Planet City * the ability to attract inward investment and environmental industries to the city * maintenance of essential routes and services with particular implications for vulnerable residents and businesses in vulnerable locations * the city's long term resilience to potential increases in the costs of food, energy & travel * performance against agreed targets and compliance with environmental legislation e.g. air quality.</p>	Environmental/ Sustainability	3	4	12 ● AMBER	<ul style="list-style-type: none"> ⊗ Adoption of One Planet Living principles for the city and establishment of a city-wide One Planet Board to over implementation of One Planet Living action plan; ⊗ Environmental performance management and reporting; ⊗ The refresh of the economic strategy and action plan alongside the emerging City Deal proposals for Eco Tech development in the city afford opportunity to reduce the environmental footprint of economic activity within the city and develop products and services which can positively influence environmental management across global markets; ⊗ Continue partnership work with East Sussex County Council to reduce landfill as a result of the Energy Recovery Facility at Newhaven. 	3	3	9 ● AMBER ↕

Brighton & Hove City Council Strategic Risk Register 2013/2014- reviewed by Executive Leadership Team 25 September 2013.
Risks are set out in order of new or increasing risks, then by Residual Risk Score (a combination of likelihood and impact).
See final page for information on risk scoring and terms used. Note that no risks were removed or replaced.

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

Risk Scoring

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

Terms Used

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



Brighton & Hove City Council




Strategic Risk Assessment Report

Risk Category - BHCC Strategic Risk;

ROM Issue:	Financial Outlook for the Council	Responsible Officer:	Catherine Vaughan
		Risk Code:	SR2

Identified Reductions in central government funding are expected to continue well beyond the current Comprehensive Spending Review period through to 2020. The changes to local government funding introduced in 2013/14 will also transfer greater risks to the council, particularly in relation to Business Rate valuation appeals. There is a cumulative impact of reductions in government funding to other public agencies in the city.

Potential Conseq The council will need to continue robust financial planning in a highly complex environment. Failure to do so could impact on financial resilience and mean that outcomes for residents are not optimised.

Initial:	High		Revised:	High		Future:	Significant	
Risk Identified Date:	15/5/2012		Date Modified:	8/10/2013		Date Modified:	17/5/2012	

Risk Category:
 - BHCC Strategic Risk
 - Economic / Financial

Existing Controls:

- * Ongoing review of the adequacy of risk provisions and reserves to support the budget strategy and to ensure financial resilience;
- * Closer alignment of Corporate Plan and MTFs;
- * City Management Board and Finance Directors reviewing city wide impact and opportunities for joint budget planning;
- * Development of skills and knowledge to support options appraisal of new delivery models;
- * Ongoing consultation and engagement plan for budget setting including with staff, partners, business sector and Community & Voluntary Sector;
- * Close monitoring of council tax and business rates income and regular updating of forecasts.

Effectiveness of Controls: Uncertain

Issue Type: Threat

Risk Treatment: Treat, Treat




Solutions: Meet Targeted Budget Management (TBM) reporting timetable
 Implement budget setting timetable and process
 Review VFM programme and develop further initiatives for 2014/15
 Continue to monitor impact of health sector reforms and local savings strategies
 Regular joint updates to City Management Board on partners' financial positions and strategies
 Monthly Modernisation programme boards

ROM Issue:	Economic Resilience and Sustainable Economic Growth	Responsible Officer:	Geoff Raw
		Risk Code:	SR4

Identified The council has a significant role in championing the city economy and attracting inward investment. It uses its own land and property portfolio to contribute to this alongside a range of policy levers including: housing, planning, economic development, leisure, tourism, education performance and public investment powers

Potential Conseq

- * The city's economy falters in the wake of difficulties in the national and international economy
- * Business Rate income to the city is adversely affected
- * Business, community, employee and employment expectations and aspirations not met and reputation affected
- * Failure to sustain local businesses and attract new investment in the city
- * Failure to achieve Corporate Plan objectives

Initial:	High		Revised:	Significant		Future:	Significant	
Risk Identified Date:	8/5/2013		Date Modified:	18/10/2013		Date Modified:	23/5/2013	

Risk Category:

- BHCC Strategic Risk
- Economic / Financial

Existing Controls:

- * Greater Brighton City Deal initiative has established governance arrangements to support local economic growth and well being;
- * The Council continues to work closely with the Local Enterprise Partnership to influence the economic development strategy and has successfully bid for Growing Places Funding;
- * Council is exploring a variety of policy and financial levers to unlock sustainable growth including housing led regeneration with the Housing & Communities Agency (HCA), and are bringing forward a number of infill site redevelopment opportunities;
- * The City Plan will take account of new legislation affecting planning, including changes to the use classes order, s106 requirements, and impacts on citizens, developers and businesses;
- * Continue to develop the investment options in relation to the council's Asset Management Strategy and work on Major Projects;
- * The Brighton & Hove Economic Partnership are hosting an investment prospectus for the city;
- * Planning service to develop an enabling service approach: reflecting local priorities; encouraging best design and building practice; providing certainty to developers; and improving the reputation of the council;
- * Transport infrastructure funding via the Local Transport Board.

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

Solutions: The council will explore how best to ensure that policy decisions and operational activities give stronger consideration to their impact on the business vitality of the city
Refresh the economic strategy for the city, with city partners, to reflect changes in local authority powers and finance (eg Business Rate Retention) and emerging opportunities in the public and private sectors
Complete the submission of the Greater Brighton City Deal bid
Within its commissioning frameworks the council is exploring opportunities to improve the "look and feel" of the public realm in the main commercial areas of the city




ROM Issue:	Becoming a more sustainable city	Responsible Officer:	Geoff Raw
		Risk Code:	SR8

Identified The council has an important civic leadership role in working with others to prepare the city for the impact of severe weather events and mitigate the long term impact of climate change. This includes:

- * working with the Environment Agency to review and manage the risks of coastal and surface water flooding.
- * strengthening the resilience of the city's energy, waste management, water and land resource arrangements
- * improving the environmental performance of council buildings and facilities
- * reducing any adverse environmental impacts arising from the operation and delivery of council services.

Potential Conseq Depending on the council's actions, it may affect:

- * compliance with our commitment to be a One Planet City
- * the ability to attract inward investment and environmental industries to the city
- * maintenance of essential routes and services with particular implications for vulnerable residents and businesses in vulnerable locations
- * the city's long term resilience to potential increases in the costs of food, energy and travel
- * performance against agreed targets and compliance with environmental legislation e.g. air quality

Initial:	Significant		Revised:	Significant		Future:	Significant	
Risk Identified Date:	8/5/2013		Date Modified:	18/10/2013		Date Modified:	16/5/2012	

Risk Category:

- BHCC Strategic Risk
- Environmental / Sustainability

Existing Controls:

- * Adoption of One Planet Living principles for the city and establishment of a city-wide One Planet Board to oversee implementation of One Planet Living action plan;
- * Environmental performance management and reporting;
- * Living Wage introduced at Council and encouraging other businesses to follow suit in the city, as part of Living Wage Commission (chaired by Chamber of Commerce);
- * The refresh of the economic strategy and action plan alongside the emerging City Deal proposals for Eco Tech development in the city afford opportunity to reduce the environmental footprint of economic activity within the city and develop products and services which can positively influence environmental management across global markets;
- * Continue to work in partnership with East Sussex County Council to reduce landfill as a result of the Energy Recovery Facility at Newhaven;
- * Carbon Management Programme Board in place to oversee internal carbon reduction;
- * Carbon budgets are reviewed with clear action plans to meet targets
- * Agreement for council targets on water, waste and sustainable/ethical procurement minimum standards and the installation of monitoring equipment;
- * Installation of metering of water and energy on council premises to reduce waste;
- * Targets and standards introduced as part of the sustainable and ethical procurement process.

Effectiveness of Controls: Adequate

Issue Type: Threat

Risk Treatment: Treat, Treat

Solutions: Achieve results set out in council's VFM 3 programme on Carbon reduction to improve the council's own environmental performance; and establish annual council carbon budget

Exploring Green Deal and ECO investment approach with neighbouring authorities

Continue to work with key statutory agencies and energy providers, eg Southern Water and N Power, to reduce waste, improve efficiency and tackle fuel poverty

Continue work with partners with aim of implementing a major energy efficiency improvement in homes across the city through HM Government's "Green Deal"

Implement the One Planet Living Action Plan

Reviewing recycling opportunities, notably food waste




Complete the Local Bio-Diversity Action Plan and Biosphere Reserve bid to UNESCO

Investigate scope for refurbishment and maintenance of council property to incorporate energy and water performance measures, and other improvements eg, photovoltaic devices

ROM Issue:	Information Governance Management	Responsible Officer:	Executive Director Finance & Resources & 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. The Cabinet has implemented a "zero tolerance" policy for access to the national Public Services Network (PSN)

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
 * The Council risks cut off from PSN if it does not meet security requirements which would be business critical for many services

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

Risk Category:
 - BHCC Strategic Risk
 - Legislative

Existing Controls:
 * Information Management Board oversees this risk;
 * Open Government Licence implemented to support open government agenda and records management;
 * Freedom of Information requests – streamlined process developed;
 * Specific project governance arrangements in place for meeting PSN Code of Connection (CoCo) requirements;
 * Re-prioritisation of all ICT project work until CoCo compliance achieved.




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

Solutions: New project requirements for data centres being scoped
 Information Management Board to develop arrangements and, through Heads of Service, develop accountability for information asset ownership – ongoing
 Information Management Board identified funding to meet implementation streams to meet compliance standards. Further work to follow
 Sharing of best practice across SE7 authorities particularly for remote access
 Business continuity arrangements to be reviewed
 Improved communications plan with staff and Members

ROM Issue:	Welfare Reform	Responsible Officer:	Catherine Vaughan
		Risk Code:	SR 11

Identified The government is implementing widespread welfare reforms and support for council tax has been localised. Introduction of the Universal Credit initiative and changes to housing benefits are expected to have a wide-ranging impact on the council and the city.

Potential Conseq There will be significantly less housing benefit funding in the city. It is complex to predict the impact on individuals and households. There may be increased risk of vulnerability, homelessness and an impact on income collection.

Initial: High  **Revised:** Significant  **Future:** High 
Risk Identified Date: 9/5/2012 **Date Modified:** 18/10/2013 **Date Modified:** 23/5/2013

Risk Category:
 - BHCC Strategic Risk
 - Customer / Citizen

Existing Controls:

- * Cross-council programme management approach to welfare reform, links with other strategies i.e. financial inclusion, digital inclusion, Stronger Families, Stronger Communities Partnership;
- * Additional layer of control implemented via meeting chaired by Risk Owner with representation of Corporate Management Team officers
- * Cross service management governance in place;
- * Financial Inclusion Policy agreed;
- * Additional funding to implement welfare reform included in the budget;
- * Additional discretionary funding identified, policies agreed and proactive use made where necessary ;
- * Advice contract with MACS commissioned to support individuals affected by changes to Council Tax support;
- * Specific short term team in place to work with families affected by the benefit cap ;
- * Issues relating to employment of families affected by Welfare Reform have been referred to City Employment Skills group and Economic Partnership;
- * Outreach work and short term support in place for families at risk of homelessness;
- * Monitoring framework developed with comprehensive suite of impact indicators, to assess service and equalities impacts of welfare reform ;
- * Close monitoring of income collection from council tax and housing rents and corporate critical homelessness budget;
- * Approach to implementation of social housing sector size criteria agreed by Housing Committee;
- * Housing Leadership Team have adopted suggested options to mitigate impact of welfare reforms;




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

Solutions: Detailed research into impacts of Welfare Reform have been commissioned
 Continue to implement measures and develop approach
 In development - Business case for family coach provision to assist families who have complex issues to help those families find employment in the long term
 Intelligence on Government policy and further Welfare Reforms timetable maintained through various channels including ongoing meetings with Government departments and other Local Authorities
 Review of financial advice and financial inclusion issues arising from these reforms
 Delivery of Financial Inclusion Policy
 Ongoing work with Jobs Centre Plus to set up bespoke services to help identified families access work

ROM Issue:	Maintaining Seafront as an asset to the city	Responsible Officer:	Paula Murray and Geoff Raw
		Risk Code:	SR12

Identified The city council is the lead custodian of the city’s iconic seafront. This involves both maintenance of historic infrastructure and development of key and iconic sites. The seafront is the city’s shopfront, a very significant attraction in our visitor economy and a series of important public spaces for our residents. There are 5 million people along our seafront every year.

Potential Conseq The heritage structures and infrastructure managed by the council along the seafront require significant investment. Not all existing assets have received the investment needed to meet the changing patterns and demands of usage. The arches which house many of the seafront businesses are intrinsic to the seafront’s commercial success and are part of the structural support for the city’s major highway the A259 road and footways, many of the structures require significant refurbishment and are under constant monitoring. Madeira Terraces is another current example, where extensive additional financing and resources are needed to meet the refurbishment needs identified.

Initial:	High		Revised:	High		Future:	Significant	
Risk Identified Date:	8/5/2013		Date Modified:	18/10/2013		Date Modified:	3/9/2013	

Risk Category:
 - BHCC Strategic Risk
 - Physical

- Existing Controls:**
- * Seafront arch repair programme to be delivered over 10 years from 2012;
 - * Commissioned structural surveys, e.g. principal inspection of Madeira Terrace and a programme of structural surveys of arches and other seafront structures;
 - * Ongoing visual inspection on day to day basis by seafront team;
 - * Specialist functions involved in internal cross council working group to identify, prioritise and report issues;
 - * Works undertaken to stabilise West Street Shelter Hall;
 - * Council submitted bid for funds for Volks Railway in September 2013;
 - * Agreement for Scrutiny exercise to explore all possibilities for future funding.




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

Solutions: Political Groups asked to nominate Members to act on Scrutiny Panel to be established, will receive support from technical/specialist officers’ working group
 Further investigate issues to develop approach
 Strategic Risk and background reported to ELT on a regular basis to raise awareness of the seafront investment issues and importance to the city
 Council continues to work with city businesses and resident groups to explore investment solutions
 Arch repair programme being planned including re-instatement of West Street Shelter Hall , and attention to ancillary road traffic works
 Seafront Structures Management Plan (SSMP) to direct activity is in report form to be presented to committee for agreement
 Regular focus by specialist functions, issues to be reported to Risk Owners
 Local Transport Plan (LTP): Capital funding for works for 2013/2014 to the east and west of West Pier is 2.2m. This should then be re-added to the 2014/2015 budget to finish the eastern arches which totals £1.2m

ROM Issue:	Keeping vulnerable adults safe from harm and abuse	Responsible Officer:	Denise D'Souza
		Risk Code:	SR13

Identified Keeping vulnerable adults safe from harm and abuse is a legal responsibility of the council. Brighton & Hove City Council have a statutory duty to co-ordinate safeguarding work across the City, and to lead the Safeguarding Adults Board which oversees work locally, in partnership with Police, Health and Social Care providers. Over 1400 concerns were raised last year about vulnerable people, 700 progressed to safeguarding referrals requiring investigation. Clarity around CCG (Clinical Commissioning Group) responsibility and area team Surrey/Sussex is unclear. NHS colleagues awaiting guidance from NHS England.

Potential Conseq Cases are more complex and demands can vary. The council is able to respond appropriately at a time of change and contact is vital to protect those most vulnerable.

Initial:	High		Revised:	Significant		Future:	Significant	
Risk Identified Date:	8/5/2013		Date Modified:	7/10/2013		Date Modified:	23/5/2013	

Risk Category:

- BHCC Strategic Risk
- Customer / Citizen

Existing Controls:

- * Awareness through messages and training;
- * Safeguarding Board workplan;
- * Learning from serious case reviews, coroners concerns and case review from national work;
- * Good multi-agency work: Pilot role and access point from Police;
- * Audit of Safeguarding investigations and alerts (to check as appropriate);
- * Maintain the role and numbers of professional social workers through service redesign and voluntary severance to ensure capacity;
- * Agreed process for escalation with NHS Surrey/Sussex to ensure timelines of clinical investigations;
- * Multi-agency training in place for better awareness, investigation management;
- * Highly motivated social workers
- * Assessment of need using agreed threshold policies and procedures;
- * Staff provided with learning opportunities and undertake continuous professional development.

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




Solutions: From multi-agency work with Police, review pilot to inform service delivery
 Continue to raise awareness through messages and training
 Continue to learn from serious case reviews, coroners concerns and case review from national work
 Await and react to how CCG responsibilities are affected by NHS England guidance



ROM Issue:	Pay & Allowances Modernisation	Responsible Officer:	Penny Thompson
		Risk Code:	SR14

Identified The pay, terms and conditions of employees of Brighton & Hove City Council are constructed from a number of different sources. Key terms and conditions such as pension rights and entitlement to sick pay are agreed nationally. Basic pay is governed by the council's job evaluation and grading system which was implemented in January 2010 and the rates of pay are set in accordance with nationally agreed pay scales. In addition, a significant number of staff receive allowances and additional payments because of the nature and pattern of the work that they do. These allowances are locally determined but over time the current system has become complex, is based on historic requirements and is no longer fit for purpose. Pay Modernisation is designed to implement a new system of allowances that is fair, consistent, modern and transparent and takes into account relevant legislation and case law, in particular in relation to equal pay and broader employment law.

Potential Conseq Pay Modernisation is critical to ensure a fair, consistent, modern and transparent system of pay. Failure to implement an appropriate system of pay could lead to significantly greater legal and financial risks in future; service disruption during the implementation phase; and reputational damage.

Initial:	High		Revised:	Significant		Future:	Significant	
Risk Identified Date:	8/5/2013		Date Modified:	8/10/2013		Date Modified:	4/9/2013	

Risk Category:
 - BHCC Strategic Risk
 - Professional / Managerial

- Existing Controls:**
- * Agreement from Policy & Resources Committee to negotiate new allowances structure;
 - * Clear officer governance structure set up for communications, negotiations and decision-making;
 - * Clear communication strategy for members, staff and officers;
 - * Identified staff and other resources in Finance, Legal and HR to support negotiations, pay modelling and financial and legal implications;
 - * Refreshed Business Continuity Plans

Effectiveness of Controls: Adequate



Issue Type: Threat
Risk Treatment: Treat, Treat

Solutions: Introduce new simplified payroll system for payment of allowances and ensure compliance and monitoring of operational practice to accord with new scheme
 Review of use of casual staff required
 Resources identified in order to support new allowances and expenses scheme, service re-design and communication with individuals

ROM Issue:	Keeping children safe from harm and abuse	Responsible Officer:	Pinaki Ghoshal
		Risk Code:	SR15

Identified Keeping vulnerable children safe from harm and abuse is a legal responsibility of the Council. Legislation requires all local authorities to act in accordance with national guidance (Working Together) to ensure robust safeguarding practice. This includes the responsibility to ensure an effective Local Safeguarding Children Board which oversees work locally and in partnership with Police, Health and social care providers. The numbers of children in care, and with Child Protection and Children in Need plans, are significantly higher than in similar authorities.

Potential Conseq The complexity of circumstances for many children presents a constant state of risk. Understanding and managing risk demands informed and reflective professional judgement, and often urgent and decisive action, by all agencies using agreed thresholds and procedures. Such complexity inevitably presents a high degree of risk. Children subject to abuse and neglect are unlikely to achieve and maintain a satisfactory level of health or development, or their health and development will be significantly impaired. In some circumstances, abuse and neglect may lead to a child's death.

Initial:	High		Revised:	Significant		Future:	Significant	
Risk Identified Date:	8/5/2013		Date Modified:	18/10/2013		Date Modified:	23/5/2013	

Risk Category:
 - BHCC Strategic Risk
 - Customer / Citizen

- Existing Controls:**
- * LSCB established with strong leadership by the Independent Chair;
 - * LSCB high level plan agreed with intent for sub-groups to develop detailed action plans;
 - * Early Help Strategy consultation started in October 13, with conference launch of Strategy on 5 November 13;
 - * Report delivered to LSCB following robust audit programme of multi-agency activity via audit of case files and safeguarding practice;
 - * Internal Audit recommendations on children's services implemented;
 - * New supervision policy launched for all staff in children's services involved in safeguarding activities;
 - * Plans to introduce a MASH (Multi-Assessment Safeguarding Hub)
 - * Serious Case, Local Management and Child Death Reviews to identify and learning and action for improvement;
 - * Clarity regarding roles, responsibilities and accountabilities of all professionals and agencies;
 - * Robust assessment of need using agreed thresholds, policies and procedures;
 - * Continuous professional development and learning opportunities;
 - * Development of an Early Help Strategy and Integrated Teams providing targeted support to the most troubled families (Stronger Families, Stronger Communities programme).

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

- Solutions:**
- Ensure multi agency Quality Assurance and audit arrangements.
 - Address failures in ICT information storage and retrieval processes to ensure appropriate access to case files by social workers.
 - Develop use of Patchwork: a multi-agency information sharing tool
 - Ensure coherent early help strategy and provision for school age children
 - Establish a multi-agency hub (MASH) in partnership with the Police.
 - Development of detailed action plans to support LSCB high level plan by sub-groups of LSCB

ROM Issue:	Wider Modernisation of Social Care	Responsible Officer:	Denise D'Souza
		Risk Code:	SR16




Identified The Care Bill is progressing through Parliament with implications for:

- * safeguarding
- * funding of social care
- * contributions for care costs (Dilnot report)
- * increased duties in respect of carers

The changes to funding (the Integration Transformation Fund 'ITF') affect how the whole system of social care, across the public and private sectors, works together. This in a backdrop of already significant changes to the NHS still being implemented and reduced budgets for, and increased savings required from Local Government

Potential Conseq

- * For ITF there is a short timescale which combines with the other significant challenges already being addressed
- * ITF requires the whole system of social care to work together to deliver the performance targets for ITF
- * The current statutory duties of the council continue but more will be added
- * There will be different elements and responsibilities of partners so that the whole system of social care will need review and work to manage challenges such as capacity, set up time, need to quantify additional work, whilst meeting existing duties

Initial:	High		Revised:	High		Future:	High	
Risk Identified Date:	25/9/2013		Date Modified:	18/10/2013		Date Modified:	7/10/2013	

Risk Category:

- BHCC Strategic Risk
- Partnership Working/ Management

Existing Controls:

- * Meetings with Clinical Commissioning Group (CCG) to develop ITF plan to be submitted by March 2014
- * Scanning for changes to Care Bill and implications
- * Planned review of Safeguarding Board to ensure that arrangements will be fit for purpose when the legislation comes into effect
- * Some project support available to support carers and implications of new bill
- * Planned review of the fitness for purpose of the Health & Wellbeing Board for new expectations of governance of the ITF
- * Modernisation Board set up to pull together many work streams and projects and will prioritise actions
- * Already a small number of local authority staff working on 7 day contracts and work continues to incorporate into new contracts
- * Working with partners to inform and influence all parties involved in social care provision so that understanding, capacity and performance meets new requirements

Effectiveness of Controls: Adequate

Issue Type: Threat

Risk Treatment: Treat, Treat

Solutions: When legislation comes into effect make necessary changes to procedures and arrangements , e.g review Safeguarding Board
In new employment contracts continue to introduce 7 day working arrangements

ROM Issue:	School Places Planning	Responsible Officer:	Pinaki Ghoshal
		Risk Code:	SR17

Identified The Council has a statutory role to ensure primary and secondary school places meet future need. There has been an upturn in the birth rate so that since 2003, the number of school aged children living the city has been increasing year on year therefore pupil places are increasingly challenged.
 This is particularly acute in areas when in previous years pupil yield has previously been very much lower. While previously there has been a focus on primary school places in the next few years we will have a significant pressure on secondary school places.

Potential Conseq

- * Parents may not feel able to secure a place for their child in the local community
- * There may be increased travelling
- * Without identifying new sites, existing schools may become overcrowded or larger.

Initial:	High		Revised:	Significant	
Risk Identified Date:	25/9/2013		Date Modified:	18/10/2013	
Risk Category:	- BHCC Strategic Risk - Customer / Citizen				

Existing Controls:

- * 465 new primary school places (15.5 classes) added in last five years;
- * Two new free schools opened in city;
- * Four class junior site to open on Hove Police Station site September 2014;
- * Work with Members on a cross-party basis and with partners to bring forward proposals and share understanding;
- * Regular review of pupil number forecasting has made it clear that primary growth starts to reach secondary schools by 2014, with the issue becoming acute in subsequent years. The future need focus relates to secondary school places
- * New cross party school place planning group chaired by Executive Director Children's Services

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







Cross-party Members and partners working group terms of reference agreed, first meeting date set and early focus to be secondary school places and sites
 Report to Children's Committee in October 13 to recommend opening of junior school site at Police Station
 Council and education providers work together to improve school performance so that all are outstanding



ROM Issue:	Effective use of technology	Responsible Officer:	Catherine Vaughan
		Risk Code:	SR18

Identified The Modernising the Council priority is dependant on a high quality of ICT infrastructure and service, and staff who are able to make the most of the technology available to them . Customers' expectations of how they are able to interact with the council relies on effective use of technology.

Potential Conseq If we do not invest appropriately in technology and its effective use , we will be unable to deliver sufficient efficiency savings and meet customer expectations

Initial: High  **Revised:** High  **Future:** High 
Risk Identified Date: 25/9/2013  **Date Modified:** 18/10/2013  **Date Modified:** 8/10/2013 

Risk Category: - BHCC Strategic Risk
 - Technological

Existing Controls:

- * ICT Strategy
- * ICT investment plan (partially funded)
- * Current investment in new network and roll out of new Microsoft Operating Suite
- * ICT workforce planning ideas shared within council and SE7 partners
- * Improving Customer Experience Board includes focus on measures to enhance customers' experience and digital access to council services

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

Solutions: Review skill set of ICT staff procuring and managing complex contracted services
 Reprtortise existing ICT spend where possible
 Review ICT skills and training offer for all staff

Subject:	Strategic Risk MAP Focus: <ul style="list-style-type: none">• SR 4 Economic Resilience and Sustainable Economic Growth; and• SR8 Becoming a more sustainable city	
Date of Meeting:	19 November 2013	
Report of:	Executive Director Finance & Resources	
Contact Officer: Name:	Jackie Algar	Tel: 29-1273
	Email: Jackie.algar@brighton-hove.gov.uk	
Ward(s) affected:	All	

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The Committee has a role to monitor the effectiveness of risk management and internal control by oversight of the Strategic Risk Register and a Risk Management Action Plan ("risk MAP") for each risk which is owned by a member of the Executive Leadership Team.
- 1.2 At each Audit & Standards Committee meeting there is normally focus on two strategic risks so that over the course of a year all strategic risk MAPs receive attention. The risk owner responsible for delivery of action to mitigate the risk attends to enable the Committee to have the opportunity to understand further background to the strategic risks and the actions taken
- 1.3 The Risk Owner for both SR4 Economic Resilience and Sustainable Economic Growth; and SR8 Becoming a more sustainable city is Geoff Raw, Executive Director Environment, Development and Housing.

2. RECOMMENDATIONS:

- 2.1 That Members ask questions of the Risk Owner for this Strategic Risks based on the information provided in the Strategic Risk MAPs.
- 2.2 That, having considered the Strategic Risk MAPs and the Risk Owner's response, 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: James Hengeveld

Date: 21 October 2013

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: 21 October 2013

SUPPORTING DOCUMENTATION

Appendices:

None.

Documents in Members' Rooms

None.

Background Documents

1. Appendix 2 of agenda Item 51, 'Strategic Risk Review 2013-14 & Risk Management Action Plans– Updated October 2013'.

Document is Restricted

