





Brighton & Hove
City Council

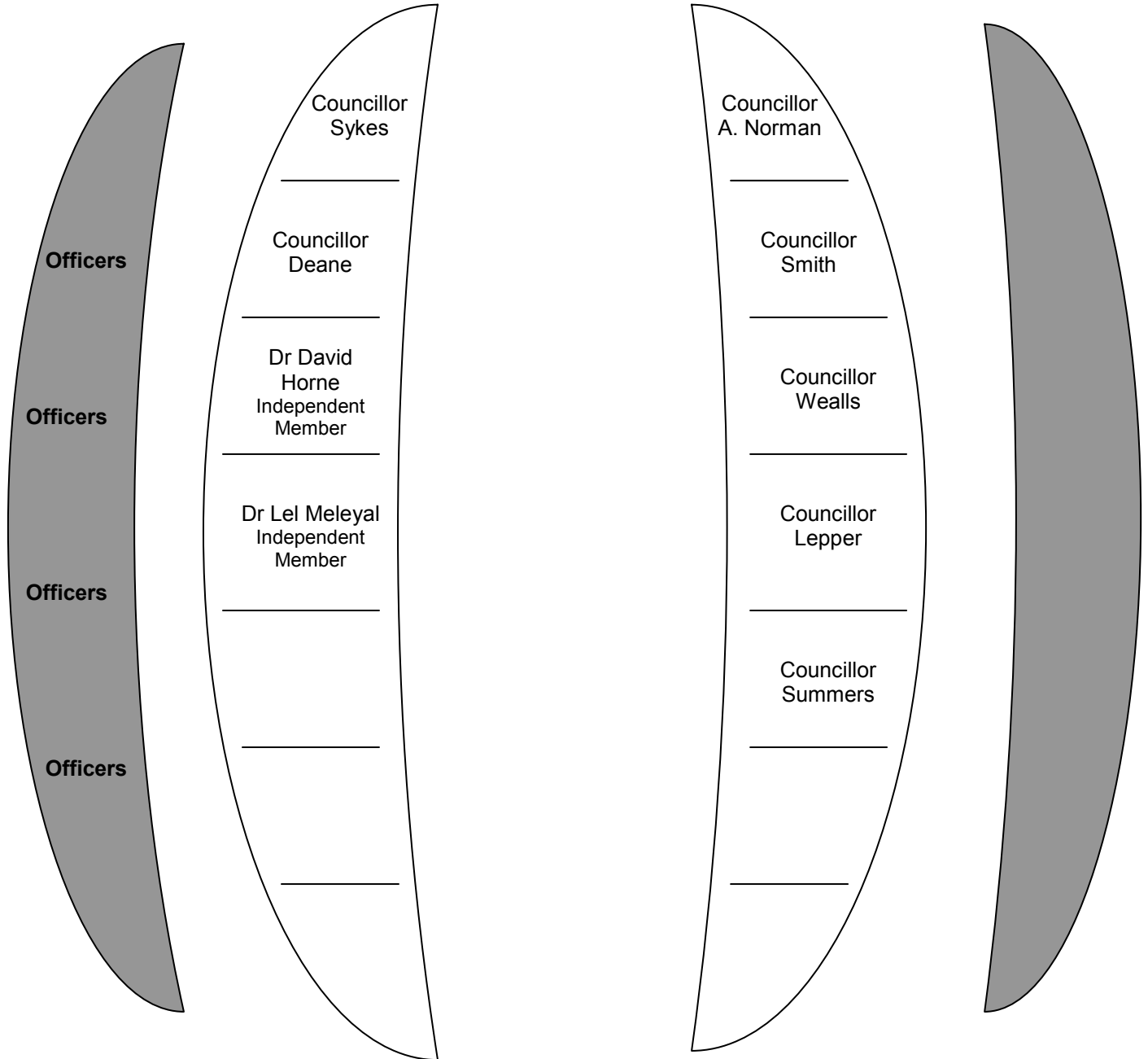
Audit & Standards Committee

Title:	Audit & Standards Committee
Date:	21 January 2014
Time:	4.00pm
Venue	Council Chamber, Hove Town Hall
Members:	<p>Councillors: Hamilton (Chair), A Norman (Opposition Spokesperson), Deane, Lepper, Smith, Summers, Sykes and Wealls</p> <p>Co-opted Members: Dr David Horne and Dr Lel Meleyal</p>
Contact:	<p>Ross Keatley Acting Democratic Services Manager 01273 291064 ross.keatley@brighton-hove.gov.uk</p>

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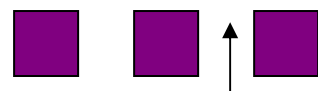
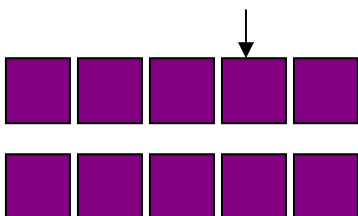
Democratic Services: Audit & Standards Committee

Head of Law	Councillor Hamilton Chair	ED of Finance & Resources	Democratic Services Officer
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Presenting Officer	Presenting Officer
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Public Seating



Press

AGENDA

56. PROCEDURAL BUSINESS

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

(b) **Declarations of Interest:**

- (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.

57. MINUTES

1 - 8

To consider the minutes of the meeting held on 19 November 2013 (copy attached).

58. CHAIR'S COMMUNICATIONS

AUDIT & STANDARDS COMMITTEE

59. PUBLIC INVOLVEMENT

9 - 10

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 14 January 2014;
 - (i) Mr Roy Pennington
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 14 January 2014.

60. 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

61. REVIEW OF THE EFFECTIVENESS OF THE AUDIT & STANDARDS COMMITTEE

11 - 16

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

Contact Officer: Catherine Vaughan *Tel:* 29-1333
Ward Affected: All Wards

62. COMPLAINTS UPDATE - JANUARY 2014

17 - 26

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

Contact Officer: Brian Foley *Tel:* 291229
Ward Affected: All Wards

AUDIT ITEMS

63. ERNST & YOUNG: ANNUAL CERTIFICATION REPORT 2012/13

27 - 38

Report of the External Auditors – Ernst & Young (copy attached).

Contact: Helen Thompson *07974 007332*
Ward Affected: All Wards

AUDIT & STANDARDS COMMITTEE

64. ERNST & YOUNG: PROGRESS REPORT 2013/14 **39 - 50**

Report of the External Auditors – Ernst & Young (copy attached).

Contact: *Helen Thompson* 07974 007332

Ward Affected: *All Wards*

65. INTERNAL AUDIT PROGRESS REPORT **51 - 58**

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

Contact Officer: *Mark Dallen* Tel: 29- 1314

Ward Affected: *All Wards*

66. ANNUAL GOVERNANCE STATEMENT 2012/13 - ACTION PLAN PROGRESS UPDATE **59 - 70**

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

Contact Officer: *Jackie Algar* Tel: 29-1273

Ward Affected: *All Wards*

67. STRATEGIC RISK MANAGEMENT ACTION PLAN FOCUS SR16 WIDER MODERNISATION OF SOCIAL CARE; AND SR13 KEEPING VULNERABLE ADULTS SAFE FROM HARM AND ABUSE **71 - 78**

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

Contact Officer: *Jackie Algar* Tel: 29-1273

Ward Affected: *All Wards*

ITEMS REFERRED FOR INFORMATION

68. TARGETED BUDGET MANAGEMENT (TBM 7) **79 - 148**

Extract from the proceedings of the Policy & Resources Committee meeting held on 5 December 2013; together with a report of the Executive Director for Finance & Resources (copy attached).

Contact Officer: *Jeff Coates* Tel: 29-2364

Ward Affected: *All Wards*

AUDIT & STANDARDS COMMITTEE

69. TREASURY MANAGEMENT POLICY STATEMENT 2013/14 - MID YEAR REVIEW 149 - 176

Extract from the proceedings of the Policy & Resources Committee meeting held on 5 December 2013 and the Council meeting held on 12 December 2013; together with a report of the Executive Director for Finance & Resources (copy attached).

Contact Officer: Mark Ireland Tel: 29-1240
Ward Affected: All Wards

70. ITEMS REFERRED FOR COUNCIL

To consider items to be submitted to the 30 January 2014 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

71. INTERNAL AUDIT PROGRESS REPORT - EXEMPT CATEGORY 3 177 - 178

Appendix 2 to Item 65 on the agenda – Report of the Executive Director of Finance & Resources (circulated to Members only).

72. 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.

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

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

WEBCASTING NOTICE

AUDIT & STANDARDS COMMITTEE

This meeting may be filmed for live or subsequent broadcast via the Council's website. At the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed.

You should be aware that the Council is a Data Controller under the Data Protection Act 1988. Data collected during this web cast will be retained in accordance with the Council's published policy (Guidance for Employees' on the BHCC website).

Therefore by entering the meeting room and using the seats around the meeting tables you are deemed to be consenting to being filmed and to the possible use of those images and sound recordings for the purpose of web casting and/or Member training. If members of the public do not wish to have their image captured they should sit in the public gallery area.

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

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

Date of Publication - Monday, 13 January 2014

BRIGHTON & HOVE CITY COUNCIL

AUDIT & STANDARDS COMMITTEE

4.00pm 19 NOVEMBER 2013

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chair), Deane, Hyde, Lepper, Smith, Summers, Sykes and Wealls

Independent Persons & Co-opted Members: Dr David Horne and Dr Lel Meleyal

PART ONE

39. PROCEDURAL BUSINESS

39a Declarations of substitutes

39.1 Councillor Hyde was present in substitution for Councillor Ann Norman.

39b Declarations of interests

39.2 There were none

39c Exclusion of the press and public

39.3 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.

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

40. MINUTES

40.1 **RESOLVED** – That the Chair be authorised to sign the minutes of the meeting held on 24 September 2013 as a correct record.

41. CHAIR'S COMMUNICATIONS

- 41.1 On Friday 29 November 2013, between 10.00 am and 12.00pm, the Chair would be discussing the effectiveness of the Committee, and any Member of the Committee was invited to attend and contribute.

42. PUBLIC INVOLVEMENT

- 42.1 There were none.

43. MEMBER INVOLVEMENT

- 43.1 There were none.

44. COMPLAINTS UPDATE - NOVEMBER 2013

- 44.1 The Committee 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, and also contained a summary of information about the number of complaints received in relation to services provided by the Council. As a new addition the report also contained summary information about the number of complaints received about services the Council provided.
- 44.2 Following a query from Councillor Wealls, the Standards & Complaints Manager explained that quarterly reporting was undertaken to give a picture of the corporate spread of complaints and how the number related to individual directorates. The Executive Leadership Team (ELT) received progress reporting, and some complaints could be better understood when properly contextualised. It had also been considered good practice to now bring this information to the Committee as part of the monitoring work it already undertook.
- 44.3 It was confirmed for Councillor Deane that the information in relation to the complaints could be interrogated further to identify where they sat at individual team level, and, in relation to complaints about Members, it was confirmed that any which related to potential criminal activities would sit outside of the Code of Conduct and be dealt with by other appropriate legislation.
- 44.4 In discussion about comparative information in was explained to Dr Horne that this type of information was not easily available; however, Officers had tried to undertake some of their own benchmarking and believed that the service was comparatively efficient and streamlined – in particular given its corporate nature.
- 44.5 Members welcomed this reporting, and noted it was very useful.
- 44.6 **RESOLVED** – That the Committee note the report.

45. THE NEW STANDARDS REGIME - ONE YEAR ON

- 45.1 The Committee considered a report in relation to the first year of the new Standards regime for the local authority. The report sought to review the operation of the Council's Code of Conduct and standards arrangements since their adoption in 2012, and to consider recent guidance from Central Government.
- 45.2 It was confirmed for Councillor Wealls that in relation to disclosable pecuniary interests the regulations specifically referenced the nominal value of assets, rather than the material value.
- 45.3 The Committee discussed sanctions that could be imposed by a Standards Panel and it was clarified that the formal decision to remove a Member from a Committee would still sit with the appropriate Group leader and the Panel could only make recommendations.
- 45.4 **RESOLVED** – That the Committee note the report and the new Department of Communities and Local Government (DCLG) Guidance on interests and agree that no further changes are required to the Council's Code of Conduct for Members at this stage.

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

- 46.1 The Committee received a presentation from Jeremy Frost, Intelligence Manager for the National Anti-fraud Network (NAFN) in relation to: the work of the organisation; the services it provided, the benefits for the Council and some example cases.
- 46.2 In discussion relating to the Department of Work & Pensions single fraud investigation service being introduced alongside welfare reform changes it was explained that this was not necessarily direct competition for the NAFN, but there was concern in some local authorities and from the Local Government Association (LGA) about how this was being implemented, and the potential to take away from the work the network already undertook.
- 46.3 The Chair thanked Mr Frost for attending and giving the presentation.

47. INTERNAL AUDIT PROGRESS REPORT

- 47.1 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.
- 47.2 It was clarified for Councillor Hamilton that 'year to date' related to period from the last report at the previous Committee to the production of the current report.
- 47.3 Prompted by Councillor Sykes the Committee discussed changes to the audit plan during each financial year, and it was explained that this was expected as consultation was continuous with services across the organisation. It was important Officers make

informed decisions about which audits they would leave out, and it was felt declaring them as 'removed' was more transparent than using the term 'delayed'. In relation to slippage for the rest of the year it was explained, in response to Dr Horne, that there were ongoing staffing issues in the team; however, a temporary appointment and appointment to a lower graded post should ease this.

47.4 Councillor Deane asked about the recovery of overpayments, and it was explained that the recovery rates were often quite low and repayments were restricted by legislation to instalments. Councillor Summers had specific questions in relation to non-fraudulent overpayments and it was agreed that this information could be provided outside of the meeting.

47.5 **RESOLVED** – That the Committee note the progress made in delivering the Annual Internal Audit Plan 2013/14.

48. ERNST & YOUNG: ANNUAL AUDIT LETTER 2012/13

48.1 The Committee considered a report of the External Auditors, Ernst & Young, in relation to the 2012/13 Annual Audit Letter. The report sought to communicate the key issues arising from the work undertaken on the 2012/13 annual audit. The detailed findings had already been reported to the Committee at the 24 September 2013 meeting; the matters reported in the letter were the most significant for the Council.

48.2 The Committee discussed projected under-spending in the budget, and the role this played in the budget setting process. It was explained that when the Council was setting the budget for the forward year it had to take account of performance against the current year's budget, and, if underspent, this could lead to one off resources being available for the forward budget. It was noted that the underspend for 2012/13 had been approximately £100k more than had been projected by the outturn position as the full budget position could not be realised until after the budget for the forward year had been set. Where there had been some confusion in relation the wording of this in the Annual Audit Letter, appended to the report, it was agreed that this would be amended.

48.3 **RESOLVED** – That the Committee consider the letter and ask any questions as necessary.

49. ERNST & YOUNG - AUDIT PROGRESS REPORT AND SECTOR UPDATE

49.1 The Committee considered a report of the External Auditors, Ernst & Young, in relation to the Audit Progress Report and Sector Update. The report asked the Committee to consider the audit progress, and attached information on the most recent sector briefing.

49.2 Councillor Hamilton welcomed the report and noted it was very useful.

49.3 **RESOLVED** – That the Committee consider the report and ask any questions as necessary.

50. TARGETED BUDGET MANAGEMENT (TBM 5)

- 50.1 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 were periodically presented to Policy & Resources Committee and were 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.
- 50.2 In response to Councillor Sykes it was confirmed that in relation to the ring-fenced transfer of Public Health funds, provision has not been made in the 2014/15 budget process for certain additional prescription costs and services as this was still being challenged nationally. It was also noted that there would a further update on this in the next TBM report and the figure was not included in the current overspend figure.
- 50.3 **RESOLVED** – That the Committee note the report to the Policy & Resources Committee on July 2013 and the subsequent recommendations and resolution.

51. STRATEGIC RISK REGISTER REVIEW - OCTOBER 2013

- 51.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Strategic Risk Register Review (October 2013). The report noted that the Committee has a role in reviewing the Strategic Risk Register, which had recently been updated by the Executive Leadership Team. Some detail was also confirmed in relation to the level of risk
- 51.2 An update was provided, in response to Councillor Sykes, that the Council's application to join the public service network had been approved; however, there was work ongoing to implement further security measures. It was noted that a general ICT update was due to be issued to all Members in the next few days.
- 51.3 The Committee went on to discuss the strategic risk 'maintaining the seafront as an asset to the city' – which had been brought for discussion at the previous meeting, and it was confirmed that the work to set up a scrutiny panel was being progressed. In response to points raised by both Councillors Lepper and Smith it was explained that the whole area raised a number of very complex issues that the scrutiny panel would need to consider; as well as looking at investment strategy options.
- 51.4 **RESOLVED:**
- (i) That the Committee notes the revised Strategic Risk Register.
 - (ii) That the Committee notes the Risk Management Action Plans contained in the Strategic Risk Assessment Report October 2013.

52. STRATEGIC RISK MAP FOCUS: SR 4 ECONOMIC RESILIENCE AND SUSTAINABLE ECONOMIC GROWTH, AND SR8 BECOMING A MORE SUSTAINABLE CITY

- 52.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Strategic Risk MAP Focus: SR4 Economic Resilience and Sustainable Economic Growth; and SR8 Becoming a more sustainable city. 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. The Committee had 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 for both would be the Executive Director of Environment, Development & Housing, Geoff Raw.
- 52.2 The Executive Director of Environment, Development & Housing introduced SR4 Economic Resilience and Sustainable Economic Growth, and highlighted that the Economic Strategy had been refreshed earlier in the year, and been approved at Committee level. The document had been jointly produced with Brighton & Hove Economic Partnership. Work was ongoing with Lewes District Council, Worthing Borough Council, Adur District Council, Mid Sussex District Council, East Sussex County Council, West Sussex County Council, and the local enterprise partnership in relation to the City Deal to create the Greater Brighton economic area, and a positive response had been received at a meeting with Central Government. It was envisaged that this kind of collaborative working would continue regardless of the outcome of the bid; as well as ongoing work with big city employers such as the two universities on key sites such as Circus Street and Preston Barracks. Areas such as the tourist economy and key growth sectors were continuing to receive attention, and there were efforts to form links between the smaller local based digital media businesses and the large 'tech' London based companies – recently Google had dedicated a member of staff to do this. The other growth industry related to the environment sector. The economic picture for the city remained positive as unemployment rates were falling, and the work force in the city remained highly qualified. It was important to ensure graduates were equipped with job skills and that work continued to improve graduate job opportunities reducing displacement of job opportunities for people with fewer qualifications.
- 52.3 In response to Councillor Summers it was clarified that a report on Preston Barracks was due to the next Policy & Resources in December 2013, and the City Deal bid had been submitted for the response from Central Government which was expected in the near future. It was also noted that all the partner authorities and bodies were fully committed to the City Deal, and this had been through all of their formal decision making avenues.
- 52.4 In response to queries in relation to flood defence it was noted that this formed part of the City Deal in Newhaven and Shoreham.
- 52.5 The Executive Director of Environment, Development & Housing introduced SR8 Becoming a More sustainable City, and highlighted that this was a significant challenge for the city. There were, however, environmental mitigations in place. The One Planet Living approach had been approved at Full Council, and there was commitment from the One Planet Board to ensure commitments were followed through and delivered. Work

was being undertaken with the Environment Agency, and the living wage was being introduced in conjunction with the Chamber of Commerce; there was also interest from the environmental industries in working with the local authority, and these had been promoted through two Eco-Technology shows. Work was continuing with the bus providers who had recently introduced 60 new hybrid fuel buses. It was also noted that Southern Water were rolling out metering across the city and projects, such as replacing street columns with more energy efficient lighting, was ongoing. The city's housing stock remained one of the significant issues in relation to carbon emissions. A report was due to go to the Policy & Resources Committee about energy companies making more investment available to improve the energy performance of homes. This was being undertaken with West Sussex County Council. Close to 100% of the council house stock now complied with Decent Homes standards, and photovoltaic panels were being installed on a number of buildings in the city.

- 52.6 In a discussion about the Green Deal it was explained that uptake nationally had been modest. Officers had been working with the Coast to Capital LEP to make Green Deal more viable through more affordable loan financing. It was also noted that the Green Deal contract with Carillion was designed to create supply chain opportunity for local businesses.
- 52.7 In relation to food waste it was noted that many local authorities were reviewing their recycling schemes. Officers are keeping food waste options under review and it was recognised that this is a significant opportunity for commercial food waste recycling in the city. Any solution would need to be financially viable and work was being undertaken with neighbouring authorities, notably East Sussex County Council. However, recycling schemes are affected by the market fluctuations in prices of recycled materials.
- 52.8 **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.

53. ITEMS REFERRED FOR COUNCIL

- 53.1 There were none.

54. PART TWO MINUTES

- 54.1 At 35.9 it was noted that the name of the Councillor was missing and should be amended to reflect that Councillor 'Hamilton' had made the point.
- 54.2 **RESOLVED** – That, with the above addition, the Chair be authorised to sign the minutes of the meeting held on 24 September as a correct record.

55. PART TWO PROCEEDINGS

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

The meeting concluded at 6.30pm

Signed

Chair

Dated this

day of

WRITTEN QUESTIONS FROM MEMBERS OF THE PUBLIC

A period of not more than fifteen minutes shall be allowed for questions submitted by a member of the public who either lives or works in the area of the authority at each ordinary meeting of the Council.

Every question shall be put and answered without discussion, but the person to whom a question has been put may decline to answer. The person who asked the question may ask one relevant supplementary question, which shall be put and answered without discussion.

The following written question has been received from members of the public.

(a) Mr Roy Pennington

Given the public concerns on the secrecy surrounding the Standards Panel of Thursday, 19th December, 2013 and its subsequent banning of the press and public from that meeting, will this committee conduct a self-scrutiny of (a) the circumstances that allowed for a previously public hearing with full disclosure of all documents to become completely restricted and (b) the voting procedure on this panel which seems to prevent any minority decision or formal dissent?

Subject:	Review of the Effectiveness of the Audit & Standards Committee		
Date of Meeting:	21 January 2014		
Report of:	Executive Director, Finance & Resources		
Contact Officer:	Catherine Vaughan		
	Name:	Abraham Ghebre-Ghioghis	Tel: 29-1333
	Email:	catherine.vaughan@brighton-hove.gscx.gov.uk abraham.ghebre-ghiorghis@brighton-hove.gscx.gov.uk	
Ward(s) affected:	All		

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

- 1.1 The Audit & Standards Committee came into being in its current form at the beginning of the 2012/13 municipal year. After 18 months of operation it is an appropriate time to consider the effectiveness of its operation. At its meeting on 21 November 2013 this committee received a report on the new Standards regime one year on. This report is not designed to re-open issues considered at that time, rather it is to consider how well the committee discharges its purpose, including how the meetings operate.
- 1.2 This report is designed to prompt discussion of a range of issues to inform a final set of proposals to come to this meeting on 25th March 2014 and to be taken into account when developing the committee's workplan for 2014/15.

2. RECOMMENDATIONS:

- 2.1 That the themes identified in the member workshop and set out at 3.7 be noted and discussed.
- 2.2 That a cross-party Member working Group be set up to consider the procedures for dealing with Member complaints.
- 2.3 That a final report/s with recommendations on the above be brought to the Audit & Standards Committee on 25th March 2014.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The Audit functions of this Committee relate to the Council's arrangements for the discharge of its powers and duties in connection with financial governance

and stewardship, risk management and audit. The Committee makes recommendations to the Council, Policy & Resources Committee, Officers or other relevant body within the Council.

- 3.2 The Standards functions of this Committee seek to ensure that the Members, Co-opted Members and Officers of the Council observe high ethical standards in performing their duties. These functions include advising the Council on its Codes of Conduct and administering related complaints and dispensation procedures.
- 3.3 In addition to the Councillors who serve on the Audit and Standards Committee, the Committee includes two independent persons who are not Councillors. They are appointed under Chapter 7 of the Localism Act, or otherwise co-opted, and act in an advisory capacity with no voting rights. In the terms of reference of this Committee a “Member” is an elected Councillor and a “Co-opted Member” is a person co-opted by the Council, for example to advise or assist a Committee or Sub-Committee of the Council.
- 3.4 There is no statutory obligation for a local authority to establish an audit committee. However there is a wide range of guidance and best practice which shapes and informs the operation of this committee including the Combined Code on Corporate Governance (2003) and the Good Governance Standard for Public Services (2004) and the Accounts and Audit Regulations 2011.
- 3.5 Following the enactment of the Localism Act 2011, there is no longer a statutory requirement to have a Standards Committee. However, section 27 of the Act requires local authorities to make arrangements to ensure high standards of conduct, to adopt a code of conduct for Members and to make arrangements for dealing with complaints against Members. It would be very difficult for a local authority to achieve the above without the support and guidance of a Standards Committee. The Council has options as to whether it sets up a stand alone dedicated Standards Committee or one that also has other functions, as is the case in Brighton & Hove. The existing arrangements whereby the audit and standards functions are dealt with by the same committee seems to be working well and it is not recommended that this be changed.
- 3.6 There is a range of guidance available on the effective operation of Audit Committees. At a workshop held on 29th November 2013 the Executive Director of Finance & Resources, the Monitoring Officer and Head of Law, the Internal Audit Manager and the council’s Risk Manager met with the Chair Cllr Hamilton, Opposition Spokesperson Cllr Ann Norman and Cllr Sykes. They used the National Audit Office Audit Committee Self-Assessment Checklist to guide the discussions. Since that date CIPFA have published new practical guidance on the operation of local authority audit committees and this will be reviewed before the final report in March.
- 3.7 Key themes that emerged from that workshop included:
 - a shared view that key functions of the committee in relation to internal and external audit, the financial statements and the annual governance statement were well understood and properly discharged;

- an acknowledgement of the value of the skills and expertise that had been brought into the committee by the independent persons;
- agreement there had been some recent good practice in proactive agenda setting by members, for example requesting reports on whistleblowing arrangements, settlement agreements and follow up of recommendations from member personal appeals panels and that this should be encouraged further;
- confirmation that some recent changes to the format and content of certain standard reports to the committee had been helpful including the Internal Audit Progress reports giving clearer information on the implementation of recommendations and more detail on fraud work and the Complaints reports giving information about all of the council's complaints activity not just those relating to Standards matters;
- a recognition that the council's anti-fraud and corruption work could benefit from a higher profile with the committee, following on from the presentation at the last meeting about the National Anti Fraud Network (NAFN) that the council hosts;
- a concern that the committee's role in understanding and influencing the organisation's culture in relation to governance and ethics was under-developed;
- a query about whether the size of Hove Town Hall Council Chamber was large relative to the numbers of members of the public attending the committee and that this alongside the room layout potentially mitigated against a more discursive and interactive style of meeting;
- a desire to review the training needs of members including mandatory training, briefings and presentations within committee meetings and the potential merits of accessing some externally provided training;
- a need to ensure that appropriate items were discussed in confidential Part II session where in order to enable a full understanding of the issues and frank discussions;

3.8 Following a recent standards hearing panel on a Member complaint, the Panel agreed that there was a need to review some of the procedures and practices in the way we deal with complaints against Members. It is proposed that a small cross-party Member working group, including at least one independent person, be set up to review the current procedures and report back to the March meeting of the committee.

3.9 It is proposed that the the working group looks at all aspects of the complaints process, including good practice from other authorities, the status of the panel, role of the investigating officer and areas of the code that require clarification.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The current combination of Audit and Standards functions appears appropriate and effective and so consideration was not given to any alternative set of constitutional arrangements.
- 4.2 The practical guidance issued by CIPFA in December 2013 will be considered in the next phase of work and incorporated into the March report which may identify further issues for consideration.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 None undertaken.

6. CONCLUSION

- 6.1 The report recommends further discussion and review on the key themes identified prior to final decisions being taken at a later date.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 There are no direct financial implications arising from this report but an effective Audit & Standards Committee is a key part of good corporate and financial governance.

Finance Officer Consulted: Catherine Vaughan

Date: 13/1/2014

Legal Implications:

- 7.2 Any proposals coming out from the review that affect the terms of reference of the committee or matters reserved to Council will have to be referred to full Council. The procedures for dealing with complaints are matters for the committee itself to decide.

*Lawyer Consulted: Abraham Ghebre-Ghiorghis
2014*

Date: 02 January

Equalities Implications:

- 7.3 None identified

Sustainability Implications:

- 7.4 None identified

Any Other Significant Implications:

- 7.5 None identified

SUPPORTING DOCUMENTATION

Background Documents

1. NAO Audit Committee Self Assessment Checklist

Subject: Complaints Update – January 2014**Date of Meeting: 21 January 2014****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 19 November 2013.

1.2 This paper contains information on enquiries made by the Local Government Ombudsman about complaints she has received about services provided by the council.

2. RECOMMENDATION:

2.1 That the Committee note the report.

3. RELEVANT BACKGROUND INFORMATION

3.1 The current status of Code of Conduct complaints is:

3.1.1 Active complaints

- One complaint has been referred for investigation.
- One complaint has been received and is awaiting a decision on how to progress the complaint.

3.1.2 Closed complaints:

- a. One complaint that was resolved by Local Resolution in the form of an apology issued by the Member to a member of the public.
- b. An investigation into a complaint that was made up of four separate but very similar complaints against a Member resulted in a Hearing Panel deciding that the Member had brought her office or authority into disrepute but that she had not treated other with disrespect and

nor had she breached the requirement to not cause the Local Authority to breach any of its equalities duties.

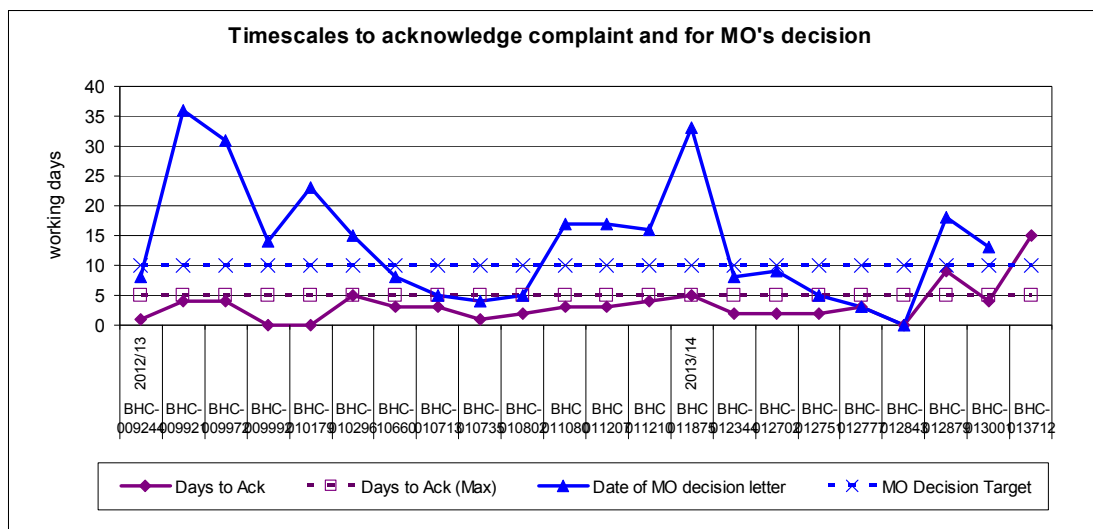
A copy of the decision notice is included in Appendix 1.

3.2 The Council's performance in dealing with individual complaints is illustrated in the chart below.

3.2.1 Complaints about Member conduct should be acknowledged as soon as possible and within a maximum of 5 working days. To date all complaints except two 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 process for dealing with complaints about member conduct is subject to review.

3.2.3 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.



Local Government Ombudsman

3.3 Table 1 in Appendix 2 shows that the Council has received 113 enquiries from the Local Government Ombudsman in the period reported. Table 2 summarises the Ombudsman decisions in respect of those complaints.

3.4 Members of the public may approach the Ombudsman at any time but usually the Ombudsman will require that the person completes the council's complaint procedure before they will consider the matter.

3.5 Of the 113 complaints the Ombudsman's investigations found that there was some level of fault in 11 cases. These fall under the headings:

Maladministration Causing Injustice, Discontinue Investigation Injustice Remedied and Local Settlement.

- 3.6 There has been one complaint which resulted in a finding of Maladministration Causing Injustice. The council were prepared to act quickly to remedy that injustice. Improvements were made to the transition process for vulnerable people moving from another Council which will ensure appropriate community care services are promptly put in place.
- 3.7 There have been eight cases where the Ombudsman has discontinued their investigation because the injustice has been remedied. Individual remedies were put in place for these cases which include providing mediation to resolve a care planning issue for a young person, making modest financial compensation payments, rehearing appeal panels, and meeting additional educational needs. In one case the council acted proactively to ensure contractors gave accurate advice about asbestos in residents' homes.
- 3.8 There were two complaints where the Ombudsman recommended the complaint should be resolved by Local Settlement. The council responds positively to the recommendations of the Ombudsman. In these two cases modest compensation payments were made. These cases did not suggest a need for wider service improvements.

4. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: Anne Silley Date: 09 January 2014

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: 09 January 2014

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. Decision Letter for Complaint against Councillor Barnett
2. Local Government Ombudsman complaints

Documents in Members' Rooms

1. None

Background Documents

1. None

Appendix 1 – Decision Letter for Complaint against Councillor Barnett



**Brighton & Hove
City Council**

Case Ref No: **BHC-012702, 012751, 012777, 012843**

**STANDARDS PANEL HEARING
DECISION NOTICE**

DATE OF HEARING:	19 December 2013
SUBJECT MATTER:	Hearing of Allegation that a Councillor has failed to comply with the Code of Conduct for Members
COMPLAINANT:	3 Members of the Public and a Council Staff Group
CHAIR:	Councillor Deane
HEARING PANEL MEMBERS:	Councillors Deane, A. Norman and Summers
INDEPENDENT PERSON AND CO-OPTED MEMBER:	Dr Lel Meleyal
INVESTIGATING OFFICER:	Brian Foley, Standards & Complaints Manager
DEMOCRATIC SERVICES OFFICER:	Mark Wall, Head of Democratic Services

THE DECISION

The Panel determined that:

(1) Councillor Barnett did NOT fail to comply with paragraph 3(1) of the Council's Code of Conduct for Members ('You must treat others with respect').

(2) Councillor Barnett did NOT fail to comply with paragraph 3(2)(a) of the Council's Code of Conduct for Members ('You must not do anything which may cause your

authority to breach any of its equality duties (in particular as set out in the Equality Act 2010'); and

(3) Councillor Barnett DID fail to comply with paragraph 5 of the Council's Code of Conduct for Members ('You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or authority into disrepute').

REASONS FOR THE DECISION

With regard to the decision over whether Councillor Barnett brought her office into disrepute, this was difficult and the Panel spent a great deal of time considering the point in fine detail. We find that on balance, there was a very fine line, which resulted in a breach of paragraph 5 of the Code of Conduct. We accept that this was inadvertent and that it was not intended to cause offence.

We are also mindful of the work that Councillor Barnett has done and continues to do in her community, including with residents from a BME background, such as the Bangladeshi Women's Community.

We have also taken into account the fact that Councillor Barnett has agreed to apologise and to undertake equalities training, and offered to meet with members of the BME Workers Forum. We support those proposals and would recommend them to Councillor Barnett with the help of the Authority.

Finally, the case has highlighted the need for training and awareness raising among all councillors on equalities issues. We therefore recommend that equalities training be a mandatory part of Member Development training.

RELEVANT SECTIONS OF THE CODE OF CONDUCT

Para 3(1): You must treat others with respect;

Para 3(2)(a): You must not do anything which may cause your authority to breach any of its equality duties (in particular as set out in the Equality Act 2010);

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

RIGHT OF APPEAL

There is a right of appeal for the complainants and the subject Member against the decision of the Standards Panel. This is without prejudice to the right of the complainant to refer the matter to the Local Government Ombudsman.

If any of these persons wishes to exercise this right, they should write to the council's Monitoring Officer*, stating they wish to appeal the Standards Panel decision, with

reasons for doing so. A request for an appeal must be received within 10 working days of 19 December 2013.

* Address: Brighton & Hove City Council, King's House, Grand Avenue, Hove, BN3 2LS

CONFIRMED AS A TRUE RECORD:

We certify that the decision this document records was made in accordance with the Council's procedure for determining an allegation that a Member has failed to comply with the Code of Conduct for Members

Proper Officer:

Signed:



Date:

20 December 2013

Appendix 2 – Local Government Ombudsman complaints

Table 1

Service Area	Quarter 1, 12/13	Quarter 2, 12/13	Quarter 3, 12/13	Quarter 4, 12/13	Quarter 1, 13/14	Quarter 2, 13/14	Quarter 3, 13/14
Adult Services							
Adults Provider	0	0	0	0	0	0	0
Community Services	0	0	1	0	0	0	0
ASC Assessment	0	0	0	0	0	0	0
Mental Health Assessment	0	0	0	1	0	0	0
CLDT	0	0	0	0	1	0	0
Planned Response	1	0	2	2	0	1	0
Total	1	0	3	3	1	1	0
Assistant Chief Executive							
CPPC	0	0	2	0	0	0	0
Tourism	0	0	0	0	1	0	0
Total	0	0	2	0	1	0	0
Children's Services							
Children's Disability service	0	0	0	0	0	0	1
Children In Care	1	0	1	0	1	0	0
ACAS	0	1	1	0	1	1	0
Child Protection Conf.	1	0	0	1	0	0	1
Children In Need	0	0	1	0	0	2	0
Total	2	1	3	1	2	3	2
Environment, Development and Housing							
City Infrastructure							
City Clean	1	0	1	0	1	2	1
City Parks	0	0	0	0	0	1	0
Sustainable Transport	0	1	2	1	2	1	2
Housing							
Housing Services	1	0	6	4	2	1	1
Housing Strategy	2	4	1	1	3	2	2
Repairs & Maintenance	0	1	2	0	1	0	0
Planning & Public Protection							
City Planning	0	3	1	2	0	3	2
Public Safety	1	0	1	0	0	1	1
Total	5	9	14	8	9	11	9
Finance and Resources							
City Services	0	0	0	0	0	0	0
Benefits & Revenues	1	0	1	1	4	2	2
Finance Units	0	0	0	0	0	0	0
Project & Financial Services	0	0	1	0	0	0	0
Property & Design	0	0	0	0	0	1	0
Total	1	0	2	1	4	3	2
Legal & Democratic Services	0	0	0	0	0	0	0

Public Health	0	0	0	0	0	0	0
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Schools, Skills & Learning							
Admissions	0	1	1	0	0	2	0
School Transport	0	0	1	0	0	1	0
SEN	1	0	1	1	0	0	0
Total	1	1	3	1	0	3	0

TOTAL	10	11	27	14	17	21	13
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Table 2

LGO Decision	Quarter 1, 12/13	Quarter 2, 12/13	Quarter 3, 12/13	Quarter 4, 12/13	Quarter 1, 13/14	Quarter 2, 13/14	Quarter 3, 13/14
Discontinue investigation injustice remedied	0	1	5	1	1	0	0
Discontinuing Investigation	7	4	5	9	4	1	0
Investigation complete, Report issued	0	0	0	0	0	0	0
Investigation complete, satisfied with LA actions	0	0	0	0	1	2	1
Local Settlement	0	0	1	1	0	0	0
Maladministration Causing Injustice	0	0	0	0	1	0	0
Maladministration No Injustice	0	0	0	0	1	0	0
No Maladministration	2	1	3	0	1	2	0
Not to initiate investigation	1	4	12	2	5	12	4
Outside Jurisdiction	0	1	1	1	3	1	1
Withdrawn	0	0	0	0	0	1	1
No decision	0	0	0	0	0	2	6
TOTAL	10	11	27	14	17	21	13

Subject:	Ernst & Young –Annual Certification Report		
Date of Meeting:	21 January 2014		
Report of:	Ernst & Young		
Contact Officer:	Name:	Helen Thompson	Tel: 07974 007332
	Email:	HThompson2@uk.ey.com	
Ward(s) affected:	All		

1. SUMMARY AND POLICY CONTEXT:

- 1.1 Councils continue to claim large sums of public money in grants and subsidies from government departments and other grant-paying bodies and in some areas must complete returns providing financial information to government departments. Our certification work as the Council's appointed auditor provides assurance to government departments and grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of our certification work on your 2012/13 claims and returns

2. RECOMMENDATIONS:

- 2.1 To note the 2012/13 annual certification report and ask questions as necessary.

The Members of the Audit & Standards Committee
Brighton & Hove City Council
Kings House
Grand Avenue
Hove
BN3 2LS

21 January 2013

Direct line: 023 8038 2099

Email: HThompson2@uk.ey.com

Dear Members

Certification of claims and returns annual report 2012-13 Brighton & Hove City Council

We are pleased to report on our certification work. This report summarises the results of our work on Brighton & Hove City Council's 2012-13 claims and returns.

Scope of work

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

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

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

In 2012-13, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department sets the level of testing.

Where auditors agree it is necessary, audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

Statement of responsibilities

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

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

This annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2012-13 certification work and highlights the significant issues.

We checked and certified four claims and returns with an approximate total value of £309 million. We met all submission deadlines. We issued a qualification letter for one claim and amended the same claim and two other returns. Details of the qualification matters and amendments are included in section 1. The Council's arrangements for the production of claims and returns remain adequate overall. However, there were weaknesses in supervision and review arrangements for the pooling of housing capital receipts return. We have raised a recommendation in section 4.

Fees for certification work are summarised in section 2. The Audit Commission applied a general reduction of 40% to certification fees in 2012-13.

We welcome the opportunity to discuss the contents of this report with you at the 21 January meeting of the Audit & Standards Committee.

Yours faithfully



Helen Thompson
Director
Ernst & Young LLP

Enc

Certification of claims and returns annual report 2012-13

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- 1. Summary of 2012-13 certification work..... 1
- 2. 2012-13 certification fees 4
- 3. Looking forward 5
- 4. Summary of recommendations..... 6

1. Summary of 2012-13 certification work

We certified four claims and returns in 2012-13. The main findings from our certification work are provided below.

Housing and council tax benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£ 186,943,021
Limited or full review	Full
Amended	Yes – subsidy increased by approximately £47,000
Qualification letter	Yes
Fee - 2012-13	£21,052
Fee - 2011-12	£41,677
Recommendations from 2011-12:	Findings in 2012-13
None	N/A

Councils run the Government's housing and council tax benefits scheme for tenants and council taxpayers. Councils responsible for the scheme claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' testing (extended testing) if initial testing identifies errors in the calculation of benefit or compilation of the claim. We found errors and carried out four sets of extended testing covering housing revenue account rent rebates, rent allowance and council tax.

The extended testing identified a small number of cases where similar errors had occurred. We extrapolated the financial impact of our findings to determine the total financial impact of the errors on the claim. No amendments were made to the claim. This was because given the nature of the populations tested it was unlikely that even significant additional work would result in amendments to the claim that would allow us to conclude it was fairly stated. We reported the extrapolated value of these errors to the DWP in a qualification letter.

Our initial testing also identified a systematic error in the calculation of claim expenditure for non-HRA rent rebates in cases where there had been a change in accommodation and change in benefit payee. As a result of our findings the Council identified the complete population of non-HRA rent rebate cases affected by this issue, and reviewed all these cases to determine the total impact on the claim. This work showed that the systematic error had resulted in subsidy due to the Council included on the claim was understated by approximately £47,000. We reviewed the Council's testing of these cases and were satisfied that the resulting proposed amendments to the claim were complete and accurate. Given that the work done covered the whole population of affected cases we were satisfied that the claim should be amended in respect of this finding.

Teachers' superannuation return

Scope of work	Results
Value of return presented for certification	£13,931,658
Limited or full review	Full
Amended	Yes
Qualification letter	No
Fee - 2012-13	£3,120
Fee - 2011-12	£3,130
Recommendations from 2011-12:	Findings in 2012-13
None	N/A

The Teachers' Pension Scheme is a contributory pension scheme run separately from the local government pension scheme and administered by Teachers' Pensions on behalf of the Department for Education. Councils must complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government. Auditors are required to carry out checks on the return made.

We found no errors on the teachers' superannuation return and certified the amount payable without qualification. The draft return submitted for audit was, however, initially prepared on the wrong form. Some additional time was required to re-prepare and certify the year-end return on the required form.

National non-domestic rates return

Scope of work	Results
Value of return presented for certification	£99,090,998
Limited or full review	Full
Amended	No
Qualification letter	No
Fee – 2012-13	£900
Fee – 2011-12	£5,310
Recommendations from 2011-12:	Findings in 2012-13

The Government runs a system of non-domestic rates using a national uniform business rate. Councils responsible for the scheme collect local business rates and pay the rate income over to the Government. Councils have to complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government.

We found no errors on the national non-domestic rates return and we certified the amount payable to the pool without qualification.

Pooling of housing capital receipts

Scope of work	Results
Value of return presented for certification	£2,166,116
Limited or full review	Full
Amended	Yes – value of certified return changed to £8,728,766
Qualification letter	No
Fee – 2012-13	£1,437
Fee – 2011-12	£567
Recommendations from 2011-12:	Findings in 2012-13
None	N/A

Councils pay part of a housing capital receipt into a pool run by the Department of Communities and Local Government (CLG). Regional housing boards redistribute the receipts to those councils with the greatest housing needs. Pooling applies to all local authorities, including those that are debt-free and those with closed Housing Revenue Accounts, who typically have housing receipts in the form of mortgage principal and right to buy discount repayments.

Multiple significant amendments were made to the return as a result of the audit. The Council had incorrectly disclosed capital receipts arising from transfers of council dwellings to a not for profit charitable company, Seaside Community Homes, as receipts arising from a small scale voluntary transfer. The receipts arising from the dwelling transfers should have been properly categorised as receipts subject to pooling offset by capital allowances. The resulting errors impacted on both the year end return and each of the 2013/14 quarterly pooling returns made by the Council to CLG.

A large number of the entries on the return were amended as a result of this finding. Each of the four quarterly returns needed to be amended and a new year-end audit return produced. The initial amendment to one of the quarterly returns made by the Council was not correct. That quarterly return needed to be amended again by the Council and a further year-end audit return prepared. This significantly increased the time needed to complete the audit and certify the return.

2. 2012-13 certification fees

For 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fee was based on actual certification fees for 2010-11 adjusted to reflect the fact that a number of schemes would no longer require auditor certification. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The indicative composite fee for Brighton & Hove City Council for 2012-13 was £23,700. The actual fee for 2012-13 was £26,509. This compares to a charge of £52,236 in 2011-12.

Claim or return	2011-12	2012-13	2012-13
	Actual fee	Indicative fee	Actual fee ¹
	£	£	£
Housing and council tax benefits subsidy claim	41,677	18,860	21,052
Teachers' superannuation return	3,130	3,120	3,120
National non-domestic rates return	5,310	900	900
Pooling of housing capital receipts	567	820	1,437
Housing subsidy	1,552	N/A	N/A
Total	52,236	23,700	26,509

Fees fell overall compared to 2011-12 because of the Audit Commission's 40% reduction and the removal of the requirement to audit the housing subsidy return. Variations between the 2012/13 indicative and actual fee levels are explained below :

► **Housing and council tax benefits subsidy claim**

As set out in more detail in section 1 of this report we were required to undertake four sets of '40+' additional testing as a result of errors found in HRA rent rebate, rent allowance and council tax benefit. We were required to draft and agree a qualification letter to report our findings in these areas. We also needed to review and re-perform a sample of the work undertaken by the Council in respect of the systematic error detected in HRA rent rebates, and check that resulting amendments to the claim were correctly made. It has been necessary to bill additional fee to cover the cost of this work.

► **National non-domestic rates return**

Under the usual cyclical approach to testing a limited scope review would have been undertaken on the 2012/13 return as a full scope review had been undertaken in 2011/12. The indicative fee for 2012/13 has therefore been set and billed on the assumption that a limited scope review would be undertaken. This has caused the significant year on year decrease in the fee billed to the client.

► **Pooling of housing capital receipts**

As set out in more detail in section 1 of this report numerous significant amendments were required to both the quarterly returns submitted to CLG and year-end return. The amendments made were not initially correct requiring one of the quarterly returns and the year-end return to be amended twice. This significantly increased the time needed to complete the audit and certify the return. It has been necessary to bill additional fee to cover the cost of this work.

¹ At the time of writing proposed variations to the indicative 2012/13 fee for the housing and council tax benefits subsidy claim and pooling of housing capital receipts return are being considered by the Audit Commission.

3. Looking forward

For 2013-14, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2011-12, adjusted for any schemes that no longer require certification.

The Council's indicative certification fee for 2013-14 is £26,300. The actual certification fee for 2013-14 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2011-12 on individual claims or returns. Details of individual indicative fees are available at the following link: [<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme/individual-certification-fees>]

We must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2011-12 fee.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements. This is to help with the transition to new certification arrangements, such as those DCLG will introduce for business rates from 1 April 2013.

4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
Pooling of housing capital receipts	H	Agreed	For the 2013/14 return	Nigel Marvell, Head of Financial Services
<p>Improve arrangements for the preparation and review of quarterly submissions to the Department of Communities and Local Government and the year-end audit return.</p>				

Ernst & Young LLP

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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Subject:	Ernst & Young - Audit Progress Report		
Date of Meeting:	21 January 2014		
Report of:	Ernst & Young		
Contact Officer:	Name:	Helen Thompson	Tel: 07974 007332
	Email:	HThompson2@uk.ey.com	
Ward(s) affected:	All		

1. SUMMARY AND POLICY CONTEXT:

1.1 We ask the Committee to consider our audit progress report.

2. RECOMMENDATIONS:

2.1 To consider the audit progress report, ask questions as necessary and note the progress made.

Brighton & Hove City Council

Audit & Standards Committee Progress Report

21 January 2014



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

21 January 2014

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

Grant claim certification

We have completed our work on grant claim certification. Our annual report on the certification of claims and returns which provides more details on the work undertaken and our detailed findings is being presented to this January meeting of the Committee. This completes our work on the 2012/13 audit.

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	Completed	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 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 has now started and will continue through to 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 are in the process of carrying out our initial risk assessment and will 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 Audit & Standards 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

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Subject:	Internal Audit Progress Report 2013/14		
Date of Meeting:	21 January 2014		
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 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 undertake an adequate and effective internal audit of its system of 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 30 reports now been finalised for the year to date. The 13 finalised since the last meeting are.

Final Audit Reports	Assurance Opinion*	Number of Recommendations and Priority
Declarations of Interest, Gifts & Hospitality (Officers)	Limited	2 x High 5 x Medium
Transport Workshop – City Clean	Limited	3 x High 6x Medium
Income Collection Arrangements	Reasonable	10 x Medium
Parks Service	Reasonable	1 x High 5 x Medium
Royal Pavilion Security	Reasonable	7 x Medium
Employment Checks	Reasonable	10 x Medium
Special Educational Needs	Reasonable	5 x Medium
Traded Services for Schools	Reasonable	2 x High 5 x Medium
Concessionary Fares	Reasonable	1 x High 1 x Medium
Members Expenses and Allocations	Substantial	1 x Medium
Community Safety	Substantial	2 x Medium
Estates Management/ Commercial Properties	Substantial	2 x Medium
Roadworks Improvement at Falmer	Not applicable	4 x High 3 x Medium

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

- 4.2 In addition there are 14 reviews where draft reports have been issued and are in the process of being finalised.
- 4.3 The total of draft and final reports is 44 at this point of the year which represents 42% of the approved audit plan. Another 32 audit reviews are in progress.

5. LIMITED ASSURANCE REPORTS

- 5.1 The audit report on Declarations of interest, Gifts and Hospitality gave only limited assurance. The review relates to Officers only. It reconfirmed findings from the previous year’s audit that corporate processes are not sufficiently communicated, clear or embedded. Records are not being maintained in some areas of the council and the number of declarations actually made is judged to be very low for an organisation of the size of the council.
- 5.2 These shortfalls have now been acknowledged and the Executive Leadership Team (ELT) have given a commitment to ensure that these processes are improved and more effectively communicated as a high priority.

- 5.3 We also concluded limited assurance in respect of the Transport Workshop operation for City Clean. Further information on the findings is included in the Part 2 appendix to this report. We obtained a positive response from service management and actions were undertaken immediately after the audit to start addressing many of the risks identified.
- 5.4 There was one unplanned review relating to the roadwork Improvements at Falmer as part of the Community Stadium development. This was a specific audit of contract arrangements and debt recovery processes requested by the Executive Director of Finance and Resources. Further information on the specific findings is also included in the Part 2 appendix to this report.

6. CHANGES TO THE APPROVED AUDIT PLAN.

- 6.1 This report includes one change to the audit plan being a contract audit review relating to the Falmer Roadwork's.

7. COPORATE FRAUD TEAM WORK

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

Outcome	Year to Date	This Period
Prosecutions	30	9
Cautions	7	5
Administration Penalties	21	11
Overpayments	£725,000*	£103,200

Note. *Figure now excludes cases under investigation but includes cases awaiting prosecution

- 7.2 With regard to housing tenancy fraud the position is as follows;-

Outcome	Year to Date	This Period
Housing Stock returned	5	0
Housing Association properties	1	0

National Fraud Initiative Update

- 7.3 The exercise has now resulted in £338,700 in overpayments being identified for the year to date." This figure is split as follows creditors £1,600 Private residential Care Home Payments £15,600 and Housing Benefits £321,500.

8. IMPLEMENTATION OF RECOMMENDATIONS

- 8.1 For the year to date we have now followed-up on a total of 132 recommendations. The results of this exercise are summarised below. Further processes have been discussed and agreed for the escalation of issues to ELT where follow-up on our work has shown significant shortfalls with regard to the implementation of recommendations.

Number of Recommendations Followed Up (Year to Date)	Implemented*	% Compliance
132	99	75%

* Includes both fully implemented and part implemented

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

9. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 9.1 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: 08/01/14

Legal Implications:

- 9.2 Paragraph 3.1 of this report reflects the obligations imposed on the council by regulation 6(1) of The Accounts & Audit (England) Regulations 2011. 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: 02/01/14

Equalities Implications:

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

Sustainability Implications:

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

Crime & Disorder Implications:

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

Risk and Opportunity Management Implications:

- 9.6 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:

- 9.7 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:	Annual Governance Statement 2012/13 - Action Plan Progress Update		
Date of Meeting:	21 January 2014		
Report of:	Executive Director of 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 Audit & Standards Committee has a responsibility for reviewing the council's corporate governance arrangements, including internal control and approving the Annual Governance Statement. The Annual Governance Statement includes an action plan for improvements to the council's governance framework. The Audit & Standards Committee should seek assurance over its effective implementation.
- 1.2 This report provides the Audit & Standards Committee with an update on the council's progress in implementing actions agreed in the Annual Governance Statement for 2012/13.

2. RECOMMENDATIONS

- 2.1 That the Audit & Standards Committee considers the Annual Governance Statement 2012/13 Action Plan at Appendix 1 and comment on any issues identified in relation to the work officers have undertaken to improve the council's corporate governance arrangements.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The Annual Governance Statement for 2012/13 was approved by the Audit & Standards Committee in June 2012. The Annual Governance Statement included a number of 'governance issues' and actions required.
- 3.2 The Accounts and Audit Regulations 2011 require the council to undertake a review at least annually of the effectiveness of its system of internal control and to publish the results in an Annual Governance Statement with the financial statements required by the Regulations.
- 3.3 The Officers Governance Board is responsible for the review and ongoing monitoring of implementation of actions. The Annual Governance Statement Action Plan is a standing agenda item for meetings of the Officers' Governance Board.

4. ANNUAL GOVERNANCE ACTION PLAN

4.1 The Annual Governance Statement Action Plan 2012/13 is at Appendix 1 and shows the 'work undertaken' in implementing the agreed actions; and details 'next steps' from December 2013.

4.1 The Annual Governance Statement Action Plan includes for each Action the Work Undertaken reflecting the position at December 2013; provides a RAG Status i.e. Red (not commenced), Amber (in progress), Green (complete); Next Steps planned for further improvement; and the Lead Officer(s).

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

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

Finance Officer consulted: James Hengeveld

18 December 2013

5.2 Legal Implications:

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

Lawyer consulted: Oliver Dixon

17 December 2013

SUPPORTING DOCUMENTATION

Appendices:

1. Annual Governance Statement 2012/13 Action Plan.

Documents in Members' Rooms:


None.


Background Documents:


1. Annual Governance Statement 2012/13.
2. Delivering Good Governance in Local Government – Guidance notes for English Authorities (CIPFA/SOLACE 2007).
3. Accounts & Audit Regulations 2003 (Amended 2011).



Appendix 1



Annual Governance Statement 2012/13 Action Plan



No.	Action	Work Undertaken	RAG Status	Next Steps	Lead Officer(s)
1. and 10.	Embedding the Council's revised Business Planning and risk management process which reflects its new organisational structure; and Review of the Performance and Risk Management Framework to ensure meets the needs of the Council.	<p>* New Council structure operational from 1/6/13.</p> <p>* For 13/14 all Business & Risk Management Plans completed; quality of risk registers checked by Risk Manager; progress reports given to Executive Leadership Team (ELT). Where improvements were suggested, remedy action agreed.</p> <p>*Performance Analysts have trained 200 service managers and staff on use of Interplan software to manage business plans; the updating of actions from the Corporate Plan; and other high level plans. This includes running their own performance reports to track progress against plans.</p> <p>* Work to link risk "solutions" to Interplan business action plans started in 2013/14 and will be progressed further in 2014/15.</p>	 Green	<ol style="list-style-type: none"> 1. Agree corporate timetable and set business planning timetable for 2014/15 – to be detailed and agreed by ELT in January 2014. 2. Performance Team developing programme of targeted training for officers who update Business plans. 3. Review of Corporate Plan will be carried out by January 2014. 4. Progress further linkages between risk solutions and business plan actions. 5. Links to Sustainable Community Strategy SCS refresh being co-ordinated by cross-organisation steering group, theme leads updating sections (target date May 2014). 	<p>Assistant Chief Executive</p> <p>Head of Corporate Policy, Performance and Communities</p>



No.	Action	Work Undertaken	RAG Status	Next Steps	Lead Officer(s)
2.	Further embedding and post implementation review of the recently refreshed Performance Development Plan process for staff.	<p>* Produced new Performance Development Plan (PDP) forms and guidance that incorporated the council's Values into people performance management activity.</p> <p>*Launched new PDP materials and undertook engagement activity across the organisation attending team meetings and workers fora meetings to talk through and respond to questions to ensure full understanding of the approach.</p> <p>*Arranged for reports from PIER software to be produced by HR's Systems Team and analysed weekly.</p> <p>*Provided Chief Executive with quarterly report on numbers of PDPs for communication to organisation.</p> <p>*HR Leadership Team developed and secured agreement from the Chief Executive for a 'pulse survey' to measure the quality of performance management conversations which is being taken forward.</p> <p>*From September 2013 Chief</p>	 Green	<ol style="list-style-type: none"> 1. Continue to use existing software to track performance of corporate overview work to monitor PDP process for staff. 2. Continue with ongoing Equalities Action Plan action plan monitoring. 3. Address and communicate issues arising from the Staff Survey. 	Head of Human Resources and Organisational Development

No.	Action	Work Undertaken	RAG Status	Next Steps	Lead Officer(s)
		<p>Executive provided with regular reports from PIER & pulse survey outcomes for organisational communications.</p> <p>* Staff Survey launched in November 2013.</p>			
3.	Improvement to the awareness of fraud and corruption across the Council.	<p>*Corporate Fraud Team established from June 2013.</p> <p>*Continue links with NAFN (National Anti Fraud Network) southern region (which is hosted at council) and other external agencies e.g. Sussex Police.</p> <p>* NAFN presentation to Audit & Standards Committee in December 2013.</p> <p>* Whistleblowing report to Audit & Standards Committee in September 2013; and question re.whistleblowing in staff survey.</p> <p>* Internal Audit Progress reports to Audit & Standards Committee include additional information on Fraud & Corruption.</p>	 Amber	<ol style="list-style-type: none"> 1. Fraud intranet pages to be developed by end March 2014. 2. Review financing and business case for Corporate Fraud Team. 3. Establish fraud awareness training schedule. 4. Improve publicity re. successful counter-fraud measures to inspire workforce and to report, and deter, fraudsters. 	Executive Director, Finance & Resources

No.	Action	Work Undertaken	RAG Status	Next Steps	Lead Officer(s)
4.	Continued review of governance arrangement in new and emerging partnerships, in particular legal agreements for Health given changes to the NHS architecture.	<p>* Public Health & Wellbeing Board work from 1 April 2013 (preceded by shadow arrangements 12/13).</p> <p>*Strategic Risk Register reviewed 25/9/13. New SR16 Wider Modernisation of Social Care is joint top risk (as reported to Audit & Standards Committee in November 2013).</p> <p>* 22/10/13 City Management Board (CMB) adopted a similar risk to SR16 for City Wide Risk Register i.e.CW16 Health & Social Care Integration. Agreed setting up risk group to focus further on this & report back to CMB 4/2/14.</p> <p>*From Sep.13 Chief Executive represented on newly developed Public Health England board.</p>	 Green	<ol style="list-style-type: none"> 1. See Strategic Risk MAP SR16 for details of action as reported to the Committee in November 13. 2. City Wide Risk MAP actions to be developed. 	Executive Director Adult Services
5.	A review of the Audit & Standards Committee in accordance with new guidance anticipated to be issued by CIPFA.	<p>* Chair and political party representatives and officers met on 29/11/13 to review the Committee against the existing CIPFA guidance.</p> <p>* New guidance from CIPFA was issued 19/12/13.</p> <p>* Report to Audit & Standards Committee January 2014 will be</p>	 Green	<ol style="list-style-type: none"> 1. Assess new CIPFA guidance & work with Members to review practice. 2. Report to Audit & Standards Committee in March 2014. 	Executive Director, Finance & Resources

No.	Action	Work Undertaken	RAG Status	Next Steps	Lead Officer(s)
		followed up by a report to the next Committee to provide update against new CIPFA guidance.			
6.	Planning for ongoing changes in Local Government Finance and funding.	<p>*Strategic Risk 2 Financial Outlook – see SR2 Risk MAP (reported to Audit & Standards Committee in November 2013) for details.</p> <p>* Budget process agreed by Policy & Resources Committee in July 2013, including consultation and scrutiny.</p> <p>* Actions detailed in Finance Business Plan (on intranet “the Wave”)</p>	 Green	<ol style="list-style-type: none"> 1. See Strategic Risk 2 Management Action Plan actions as reported to the Committee in November 13 2. Finance Business Plan 13/14 (on intranet “Wave” and monitored/updated) 	Executive Director, Finance & Resources
7.	Better governance to oversee the delivery of major modernisation programmes for the Council through the Modernisation Board, chaired by the Chief Executive, and enhanced support from the Programme Management Office (PMO).	<p>*The Modernisation Board receives monthly highlight reports that identify progress, risks and issues.</p> <p>* The programmes that comprise the modernisation programme are included in the Corporate Projects List, which provides a RAG rated report on all corporately significant projects.</p> <p>*Quarterly RAG reports to Executive Leadership Team (ELT) and the Member Oversight Group quarterly.</p> <p>* The Head of the PMO has the</p>	 Green	<ol style="list-style-type: none"> 1. Risk workshop to combine and analyse risks at Modernisation Board on 9 January 2014, will take account of risk registers from individual programmes. 	Chief Executive

No.	Action	Work Undertaken	RAG Status	Next Steps	Lead Officer(s)
		role of modernisation programme manager.			
8.	Reviewing and updating the Sustainable Communities Strategy.	*Sustainable Community Strategy (SCS) refresh being co-ordinated by cross-organisation steering group, theme leads updating sections - due by May 14.	 Green	1. Publication of refreshed SCS by target date May 14. 2. Work to be done to further integrate priorities, links, resources to develop/refresh measures to monitor and arrangement to hold to account.	Head of Corporate Policy, Performance and Communities
9.	To meet the new requirements, compliance and zero tolerance approach of the Government's Communications and Electronics Security Group for the Code of Connection (CoCo) for accessing the Government Secure Intranet (GSI) for data	*Strategic Risk Register (SRR) reviewed 25/9/13 and the Residual Risk Score was increased from Amber to Red due to increasing 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. *Risk Owner reported separately to Audit & Standards Committee in	 Amber	1. See latest update of Strategic Risk 2 Management Action Plan actions as reported to the Audit & Standards Committee in November 13.	Executive Director, Finance & Resources; and Head of Legal & Democratic Services (Senior Information Risk Owner).

No.	Action	Work Undertaken	RAG Status	Next Steps	Lead Officer(s)
	sharing.	September (as increased risk score arose between the June 13 report to the Committee and the next ELT review date for ELT's review of the SRR due in October 13). *2013 CoCo (Code of Connection) compliance achieved subject to agreed additional work.			
10.	Full review of the Council's 'family' of partnerships across the City and introducing a City Management Board to replace the Public Services Board.	* Public Service Board (April 2013) agreed to replace PSB with a City Management Board (CMB) and agreed revised membership and terms of reference * Communications and input from Local Strategic Partnership *Sustainable Community Strategy refresh underway by cross-organisation steering group *City wide Risk Review session October 2013 held and inter alia will inform focus of partnerships	 Green	1.Partnership review being undertaken alongside revision of Sustainable Community Strategy (due May 14) and will be submitted to CMB for approval in 2014/15	Chief Executive
12.	Ensure Internal Audit conformance to the Public Sector Internal Audit Standards and Local Government	*Initial review completed by Head of Audit & Business Risk reported to Audit & Standards Committee in June 13.	 Green	1. Principal Audit Manager to review best practice & implementation.	Executive Director, Finance & Resources

No.	Action	Work Undertaken	RAG Status	Next Steps	Lead Officer(s)
	Application Note for an effective service and meeting the requirements of the Accounts and Audit recommendations 2011.				

Subject:	Strategic Risk Management Action Plan Focus: SR16 Wider Modernisation of Social Care; and SR13 Keeping vulnerable adults safe from harm and abuse		
Date of Meeting:	21 January 2014		
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. This includes oversight of the Strategic Risk Register which is set and reviewed every six months by the Executive Leadership Team (ELT). Each Strategic Risk has a Risk Management Action Plan (a “risk MAP”) to deliver action to address the risk by a Risk Owner, a member of ELT.
- 1.2 The Committee has agreed a schedule to focus on two Strategic Risk MAPs at each meeting, and to ask Risk Owners to attend in order to more fully explore the details of the actions to address each Strategic Risk.
- 1.3 This meeting will be attended by Denise D’Souza, Executive Director Adult Services, who is the Risk Owner for both Strategic Risks SR16 and SR13. The Strategic Risk MAPs have been updated specifically for this meeting to provide Members with the current position.

2. RECOMMENDATIONS:

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

3. FINANCIAL & OTHER IMPLICATIONS

- 3.1 Financial Implications

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: 10/12/13

3.2 Legal Implications

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: 09/12/13

SUPPORTING DOCUMENTATION

Appendices:

1. Strategic Risk Assessment Report – SR16 and SR13.

Documents in Members' Rooms

None.

Background Documents

1. Strategic Risk Register 2013/2014 – reviewed by Executive Leadership Team, 25 September 2013.






Brighton & Hove City Council
Strategic Risk Assessment Report
Denise D'Souza

Risk Category - BHCC Strategic Risk;

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 responsibility of the council. Brighton & Hove City Council have a statutory duty to co-ordinate safeguarding work across the city and the Safeguarding Adults Board. This work links partnerships across the Police and Health and Social Care providers. Over 1400 concerns were raised last year about vulnerable people, 700 progressed to investigation stage. Clarity around CCG (Clinical Commissioning Group) responsibility and area team Surrey/Sussex is unclear in relation to clinical investigations. 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:	16/12/2013		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
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 inquests and case reviews Await and react to how CCG responsibilities are affected by NHS England guidance	Risk Treatment:	Treat, Treat

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 including client contribution (Dilnot report)
- * increased duties in respect of carers

The creation of the Integration Transformation Fund 'ITF' and changes to the legal framework for adult social care affects 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 to have an agreed plan in place to reduce A&E attendance and pressure on the acute trust through more integrated community services, which combines with the other significant challenges already being addressed
- * ITF requires the whole system of health, private providers, GPs and public sector 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:	16/12/2013		Date Modified:	7/10/2013	

Risk Category:

- BHCC Strategic Risk
- Partnership Working/ Management

Existing Controls:

- * Meetings with Clinical Commissioning Group (CCG) and providers to develop ITF plan to be submitted by 14 February 2014;
- * Review of Safeguarding Board to ensure that arrangements will be fit for purpose when the legislation comes into effect;
- * Review of the purpose of Health and Wellbeing Board for new expectations and governance of the ITF (Integration Transformation Fund);
- * Some project support available to support the impact of changes on Adult Social Care ;
- * Adult Social Care 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;
- * Setting up provider workshops;
- * Council and CCG have jointly recruited a post to manage ITF;
- * Work done on benchmarking data and current allocation of joint funding between Council, CCG and Acute Provider
- * Integrated workforce stream which links to CCG within ITF project, includes current analysis of short term services and evaluation of where it is appropriate to integrate services
- * Clear understanding that under ITF if there is no achievement of targets, 50% of available funds will be lost with potential to block up redirecting of acute health provision therefore attention to sharing of accurate data (complicated by collection of different systems used by various agencies);
- * Investigating different models to manage ITF (options include existing arrangements; or locality leads; or new model of aligned/alliance contract);
- * Joint meetings with officers from key support or related services to help manage ITF preparations, eg Finance & Resources; HR; Disabled Facilities Grant service (funding transfers from the council's Housing Revenue Account to ITF)

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

Solutions: Joint work with partners on IT systems and leadership to enable effective staff communications
When legislation comes into effect make necessary changes to procedures and arrangements , e.g review Safeguarding Board
Continual work to recognise Acute Trust budget spend and impact on planning ITF services
In new employment contracts continue to introduce 7 day working arrangements
HR workstream to be set up across a range of organisations involved in delivery of public sector care services
Further develop data sharing protocols and manage IT equipment/systems differences and assure access to the Public Services Network
Work to map needs across all sectors to the needs to clients and develop benchmarking tools to enable consideration of eligibility criteria to enable service resources to be directed to clients with greater need (eg may involve refocus on medical eligibility for Sheltered Housing) whilst always ensuring safeguarding
Establish City wide emergency/crisis provision pathways, including links to housing
Work with market to increase capacity and compile a prospectus of services
Early work at council on staff integration policy and transfer arrangements
As work under ITF and new legislation comes into effect, invest in organisational development work to foster staff behaviours and culture for effective service delivery

Subject:	Targeted Budget Management (TBM) 2013/14 Month 7 - Extract from the proceedings of the Policy & Resources Committee meeting held on the 5th December 2013		
Date of Meeting:	21 January 2014		
Report of:	Head of Law		
Contact Officer:	Name: Mark Wall	Tel: 29-1006	
	E-mail: mark.wall@brighton-hove.gov.uk		
Wards Affected:	All		

FOR GENERAL RELEASE

Action Required of the Audit & Standards Committee:

To receive the item referred from the Policy & Resources Committee for information:

Recommendation:

That the report be noted.

POLICY & RESOURCES COMMITTEE

4.00 pm 5 December 2013

COUNCIL CHAMBER, HOVE TOWN HALL

DRAFT MINUTES

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

PART ONE

75. TARGETED BUDGET MANAGEMENT (TBM) 2013/14 MONTH 7

- 75.1 The Executive Director for Finance & Resources introduced the report, which set out the forecast outturn position at Month 7. She noted that the underlying overspend on council controlled budgets was £2.349m and that a significant part related to the Adult Social Care budget which had seen an increase in pressures. The Children's Services Budget

was showing an underspend and whilst a the Value For Money programme had a shortfall, plans had been put in place to enable it to deliver its targets in the next financial year. She stated that officers were working hard to address the situation and action was being put in place to seek to improve the overall budgetary position by the year end.

- 75.2 Councillor Littman welcomed the report and the work that was in hand to address to the forecast overspend and hoped that a balanced position could be achieved by the end of the financial year.
- 75.3 Councillor Hamilton noted that improvements to service budgets forecasts had improved but expressed his concern over the Adult Social Care budget. He also noted that there were a number of vacant posts being held within the Child Safeguarding Team and queried whether sufficient resources were in place to protect children in care. He also asked if any clarification was available in respect of the potential £1m cost to the council for prescription charges.
- 75.4 The Executive Director for Children's Services stated that a number of vacancies were being held as the case work level for the social work team had been maintained and the numbers of children that they worked with had started to reduce. However, officers were mindful of their responsibilities and would monitor the situation carefully.
- 75.5 The Executive Director for Finance & Resources stated that she was not able to give any further update on the possible charge for prescriptions but noted that lobbying on this matter was taking place at a national level.
- 75.6 Councillor A. Norman stated that she was concerned by the size of the overspend forecast and questioned whether any action had been taken to recover the costs of fly-tipping by Travellers. She also noted that the overspend on ICT remained high and that a further £750k was proposed to be put into ICT in the Budget report. She asked whether a report could be brought to the next committee detailing the various changes that had been required by the Cabinet Office and the options on the provision of equipment and service for Members to consider. She was concerned about the changes in relation to the voluntary severance scheme and asked for an update on Craven Vale. Finally, she hoped that the coastal communities fund bid for the Volks Railway would be successful.
- 75.7 The Executive Director for Adult Social Care stated that the possibility for Craven Vale Day Centre to be used for the provision of recovery beds was not being taken forward, however it was being looked at as part of the provision for Extra Care.
- 75.8 The Executive Director for Environment, Development & Housing stated that officers were working closely with the police in regard to minimising the impact of fly-tipping. He noted that a contract had been agreed with City Clean to clear waste at the Travellers Horsdean site which he hoped would result in an improvement.
- 75.9 The Assistant Chief Executive stated that it was hoped to receive notification on the outcome of the bid to the coastal communities fund in January in regard to the Volks Railway.

- 75.10 The Executive Director for Finance & Resources stated that the ICT service had faced a range of challenges in the recent months, primarily resulting from changes required by the Cabinet Office and Information Commissioner's Office. In view of the need to take on board the required changes and adapt systems to constant changes to the requirements additional costs had resulted. She noted that the SE7 (South East 7 group of authorities) were lobbying the Cabinet Office to get agreement and clarity on what was necessary in terms of IT security for council systems. There had been difficulties experienced by Members and officers as a result of the Firewall that was provided by Vodafone as required by the Cabinet Office, which officers were seeking to address with Vodafone. She also noted that there had been under-investment in ICT over the years and this was now being addressed. However, she was happy to bring a report to the next meeting on the overall position in regard to ICT.
- 75.11 Councillor G. Theobald noted that there was an under-achievement of £324k for off-street parking income and suggested that a review of charges was necessary if this was to be rectified. He also queried how it was intended to get details of customer activity in relation to the use of off-street parking.
- 75.12 The Chair stated that the overall parking budget was in balance and that usage was monitored and reported to committee on a regular basis. He then put the recommendations to the vote.

75.13 **RESOLVED:**

- (1) That the total forecast outturn position for the General Fund, which has an overspend of £2.045m be noted. This consists of £1.762m on council controlled budgets and £0.283m on the council's share of the NHS managed Section 75 services;
- (2) That the forecast outturn for the Housing Revenue Account (HRA), which has an underspend of £0.237m be noted;
- (3) That the forecast outturn position for the Dedicated Schools Grant which has an underspend of £0.629m 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:
 - i) 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 7		
Date of Meeting:	5 December 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 PURPOSE OF REPORT AND POLICY CONTEXT:

- 1.1 The Targeted Budget Monitoring (TBM) report is a key component of the council's overall performance monitoring and control framework. This report sets out the forecast outturn position as at Month 7 on the council's revenue and capital budgets for the financial year 2013/14.
- 1.2 Early forecasts for the year indicated significant potential pressures and forecast overspending. There have been some changes to the forecasts and improvements across many budget areas but the pressures on Adult Social Care have increased. The underlying overspend on council controlled budgets as at Month 7 is £2.349m overspent which has been reduced to £1.762m through releasing all of the remaining general risk provision of £0.587m

2 RECOMMENDATIONS:

- 2.1 That the Committee note the total forecast outturn position for the General Fund, which is an overspend of £2.045m. This consists of £1.762m on council controlled budgets and £0.283m on the council's share of the NHS managed Section 75 services.
- 2.2 That the Committee note the forecast outturn for the Housing Revenue Account (HRA), which is an underspend of £0.237m.
- 2.3 That the Committee note the forecast outturn position for the Dedicated Schools Grant which is an underspend of £0.629m.
- 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 CONTEXT / BACKGROUND INFORMATION

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 5 Forecast Variance £'000	Directorate	2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(1,469)	Children's Services	59,212	57,273	(1,939)	-3.3%
2,587	Adult Services	63,304	66,493	3,189	5.0%
478	Environment, Development & Housing	45,997	46,497	500	1.1%
151	Assistant Chief Executive	12,866	13,010	144	1.1%
8	Public Health	1,807	1,814	7	0.4%
(599)	Finance, Resources & Law	38,030	37,206	(824)	-2.2%
1,156	Sub Total	221,216	222,293	1,077	0.5%
1,257	Corporate Budgets	11,204	11,889	685	-6.1%
2,413	Total Council Controlled Budgets	232,420	234,182	1,762	0.8%

- 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.

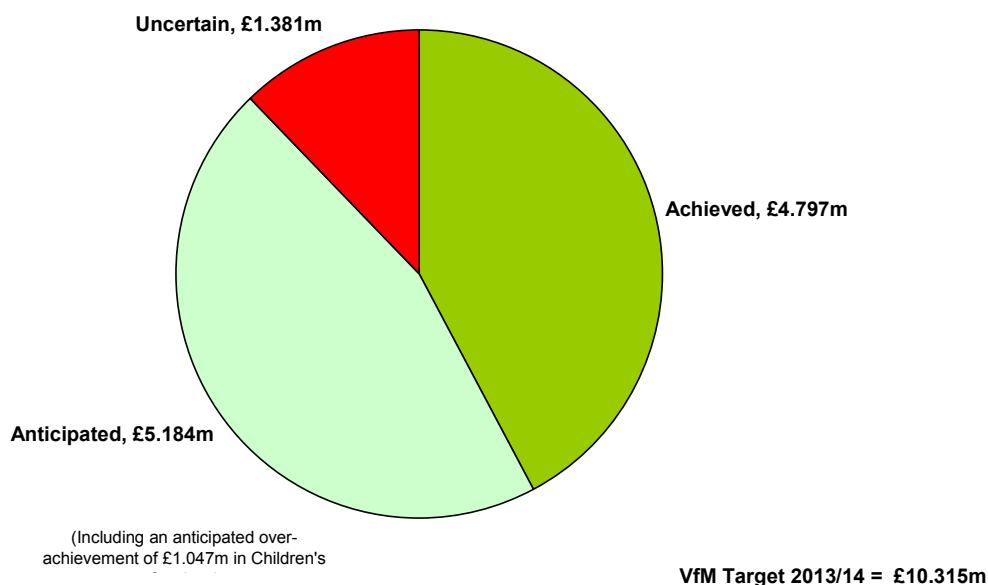
Month 5 Forecast Variance £'000	Corporate Critical	2012/13 Budget Month 7 £'000	Provisional Outturn Month 7 £'000	Provisional Variance Month 7 £'000	Provisional Variance Month 7 %
(1,023)	Child Agency & In House	19,471	18,327	(1,144)	-5.9%
1,841	Community Care	41,426	43,391	1,965	4.7%
(245)	Sustainable Transport	(15,762)	(15,805)	(43)	-0.3%
202	Temporary Accommodation	1,402	1,129	(273)	-19.5%
0	Housing Benefits	(569)	(669)	(100)	17.6%
775	Total Council Controlled	45,968	46,373	405	0.9%

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 5		2013/14	Forecast	Forecast	Variance
Forecast		Budget	Outturn	Variance	Month 7
Variance		Month 7	Month 7	Month 7	%
£'000	HRA	£'000	£'000	£'000	
(114)	Expenditure	56,289	56,017	(272)	-0.5%
(36)	Income	(56,289)	(56,254)	35	0.1%
(150)	Total	-	(237)	(237)	

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 £0.629m 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 5 Forecast Variance £'000		2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
	Section 75				
289	NHS Trust managed S75 Services	12,070	12,353	283	2.3%

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 £0.267m.

Month 5 Forecast Variance £'000		2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Outturn Month 7 %
	Capital Budgets				
0	Children's Services	23,650	23,650	0	0.0%
0	Adult Services	2,328	2,328	0	0.0%
0	Environment, Development & Housing – General Fund	20,206	20,206	0	0.0%
(124)	Environment, Development & Housing - HRA	31,146	31,039	(107)	-0.3%
(160)	Assistant Chief Executive	12,728	12,568	(160)	-1.3%
0	Finance, Resources & Law	10,008	10,008	0	0.0%
(284)	Total Capital	100,066	99,799	(267)	-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 5 report.

Capital Budget Movement	2013/14 Budget £'000
Summary	
Budget approved at Month 5	110,162
Reported at this Committee since Month 5	53
New Schemes (to be approved)	739
Variations (to be approved)	327
Reprofiles (to be approved)	(10,743)
Slippage (to be approved)	(472)
Total Capital	100,066

- 3.16 Appendix 3 also details any slippage into next year. In total, project managers have forecast that £0.472m of the capital budget may slip into the next financial year and this equates to 0.47% of the budget.

Implications for the Medium Term Financial Strategy (MTFS)

- 3.17 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.
- 3.18 Details of risk provisions currently held are given in the Corporate Budgets section of Appendix 1. Given the level of forecast risk on the General Fund, the remaining risk provision of £0.587m will be used to partially mitigate the position. The forecast outturn will be reflected in the associated budget report also on this Policy & Resources Committee agenda.

Capital Receipts Performance

- 3.19 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 £10.098m 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.

- 3.20 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, 40 homes have been sold in 2013/14.

Collection Fund Performance

- 3.21 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.
- 3.22 The projected collection fund surplus position at 31st March 2014 on council tax has increased this month by (£0.255m) to (£1.714m) and the council's share of this is (£1.464m). This includes the brought forward surplus from 2012/13 of (£0.497m). The increased surplus this month relates mainly to student exemptions having not been as high as anticipated. The previous month's forecast related to a lower than budgeted caseload on council tax reduction discounts which accounts for (£0.976m) of the surplus. There is also 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.
- 3.23 The mid year forecast on business rates using data at the 30th September shows a higher level of business rates for 2013/14 due to the impact of appeals being lower than forecast in January 2013. There is no direct financial impact to the council from this for 2013/14 as the council is still forecast to be at the safety net and therefore the council's share of the increased business rates of £1.974m will be offset pound for pound by a reduced safety net grant.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The provisional outturn position on council controlled budgets is an overspend of £1.762m. In addition the council's share of the forecast overspend on NHS managed Section 75 services is £0.283m. 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 available general reserves which may need to be replenished if the working balance falls below the approved level of £9.000m.

5 COMMUNITY ENGAGEMENT & CONSULTATION

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

6 CONCLUSION AND COMMENTS OF THE DIRECTOR OF FINANCE (S151 OFFICER)

- 6.1 The underlying month 7 position has not improved further since Month 5 due primarily to continuing pressures and difficulties in delivering planned savings across Adult Social Care. At this stage of the year, the use of remaining risk provisions of £0.587m is now appropriate to partially mitigate the position. The remaining forecast risk will need to be taken into account in setting the 2014/15 General Fund revenue budget.
- 6.2 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 to improve the position as far as possible by the year end.

7 FINANCIAL AND OTHER IMPLICATIONS

Financial Implications:

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

Finance Officer Consulted: Jeff Coates Date: 18/11/13

Legal Implications:

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

Lawyer Consulted: Oliver Dixon Date: 18/11/13

Equalities Implications:

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

Sustainability Implications:

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

Risk and Opportunity Management Implications:

- 7.5 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.

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.

Children's Services - Revenue Budget Summary

Month 5 Forecast Variance £'000	Service	2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
28	Director of Children's Services	177	177	0	0.0%
(133)	Education & Inclusion	6,240	6,176	(64)	-1.0%
(626)	Children's Health, Safeguarding and Care	33,417	32,434	(983)	-2.9%
(738)	Stronger Families, Youth & Communities	19,378	18,486	(892)	-4.6%
(1,469)	Total Revenue - Children	59,212	57,273	(1,939)	-3.3%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Education & Inclusion			
(170)	Home to School Transport	There is an underspend of £0.170m which shows a small reduction in numbers since last month. The number of pupils transported to/from school for July was 421, September 449, October 465 and November 463. A detailed analysis has been undertaken with the budget holder for each area of the budget and these will continue to be monitored monthly.	
100	Adult Social Care moves	As part of the Connaught school places provision it has been agreed that Children's Services will contribute £0.100m towards the costs relating to Adult Social Care moves.	This is a one-off spend, reducing further potential pressure in Adult services.
6	Other	Minor overspend variances	
Children's Health, Safeguarding & Care			
(407)	Social Work Teams	The Social Work Teams are currently projected to underspend by £0.407m in 2013/14 due to a number of vacant posts within the teams.	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
180	Care Leavers	Following the completion of work to streamline and simplify the financial monitoring in this area in preparation for the new partnership arrangements with Housing services, the projected spending on children leaving care has been adjusted downwards. Based on the spend on individual children it is estimated that the care leavers budgets will be overspent by £0.180m . This is broken down as an overspend of £0.234m for standard care leavers and an underspend of £0.054m for ex-asylum seekers. It is anticipated that the new arrangements with Housing, due to start next April, will reduce the overall spending on 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 joint 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.
(85)	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 £0.085m underspend relates to regular adoption support payments and allowances which are currently running slightly below budgeted levels.	
(412)	Corporate Critical-In House Foster Payments	Part of the VFM budget strategy is to switch the emphasis of fostering placements from IFA to in-house carers. The budgets 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 £0.412m in in-house placements.	Continuing the implementing a tiered approach to the procurement of placements reducing the proportion of high cost placements
(200)	Contact Service	The underspend of £0.200m in this service is predominantly due to the use of sessional and agency staff being considerably less than anticipated in the budget.	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
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.
(55)	Prevention	The underspend in this service of £0.055m mainly relates to the costs of housing and payments to family & friends carers.	
(154)	Other	Minor underspend variances - mainly for keyworking, reviewing and disability social work teams	
Stronger Families, Youth & Communities			
(732)	Corporate Critical - Children's Agency Placements	<p>The current projected number of residential placements (27.35 FTE) is broken down as 23.50 FTE social care residential placements (children's homes), 3.44 FTE schools placements, 0.40 FTE family assessment placements and 0.00 FTE substance misuse rehabilitation placements. 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 placements are slightly higher than the budget although 1.17 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 are currently 2.95 FTE below the budgeted level, and this combined with the unit cost savings described above results in an estimated underspend of £0.654m.</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 165.85 projected FTE placements. Although this represents a reduction of 10.7% on last year, the budget strategy included a target for switching the emphasis from IFA to in-house carers which has</p>	<p>Although underspending in total, there are areas of pressure within Children's Agency Placement budgets. In particular, the Children's Services Value for Money (VFM) project is effectively addressing the level of activity and spend in IFAs. The plan focuses on strengthening preventive services and streamlining social care processes including:</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 procurement of expert assessments in care proceedings, strengthening arrangements for early permanence planning and increasing the numbers of in house foster placements able to provide tier 1 care. • strengthening early intervention

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
		<p>not yet been achieved. On that basis budget for IFA placements is 154.00 FTE which is currently being exceeded by 11.85 FTE placements resulting in an anticipated overspend of £0.048m.</p> <p>The current projected number of disability placements is 18.55 FTE with an average unit cost of £1,716.81. The number of placements is 5.05 FTE above the budgeted level. The average weekly cost of these placements is £501.46 lower than the budgeted level, and the combination of these two factors together with a projected underspend of £0.041m on respite placements results in an overspend of £0.055m.</p> <p>It is currently anticipated that there will be 0.99 FTE secure (welfare) placements and 1.16 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 one in a secure (criminal) placement resulting in a projected underspend of £0.181m</p>	<p>and preventive services and commissioning a transformation change programme to support the re-structuring of social work services in the Children's Delivery Unit</p>
(160)	Other	Minor underspend variances	

Appendix 1 – Revenue Budget Performance

Adult Services – Revenue Budget Summary

Month 5 Forecast Variance £'000	Service	2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
1,834	Adults Assessment	48,095	49,988	1,893	3.9%
762	Adults Provider	14,713	16,013	1,300	8.8%
(9)	Commissioning & Contracts	496	492	(4)	-0.8%
2,587	Total Revenue - Adult	63,304	66,493	3,189	5.0%

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:	Mitigating actions continue to be taken wherever practicable but there remain considerable pressures on the Adult Social Care budget.
Adults Assessment			
see below	Assessment Services	Assessment Services are showing an overspend of £1.893m (3.9% of net budget) at Month 7, broken down as follows: -	
1,350	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 £1.640m 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 includes the proposal for Brookmead, which is unlikely to deliver cost savings until 2014/15 or beyond. Placements are also 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.	As mentioned in the main report, available corporate risk provision is being used to mitigate the council's overall position which is primarily due to the pressures detailed here and under Adults Provider services.
(46)	Corporate Critical - Community Care Budget (Learning Disabilities)	Learning Disabilities are reporting an underspend of £0.046m at Month 7, which is a decrease of £0.108m from Month 5. A pressure of £0.070m relates to day services where double running will be necessary until the savings in provider services can be achieved. As highlighted previously, it should be noted that the potential impact from Ordinary Residence 'OR' claims against the budget is £0.755m full year effect, of which £0.127m 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 justifiable, some are disputed successfully.	
715	Corporate Critical - Community Care Budget (Under 65's)	Under 65's are currently showing an overspend of £0.715m; a decrease of £0.015m from Month 5. 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. Actual whole time equivalent client numbers are 149 more than budgeted (increase of 22%).	Continuing to explore alternative models of provision and funding.
(55)	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 budget, given the pressures on other areas described above.	
(71)	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

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
			disability placement should cover the pressure for 2013/14 only.
Adults Provider			
1,300	Adults Provider	<p>The forecast overspend includes an assessed risk of £1.000m 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 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 (£0.469m). This has been partly offset by one off and recurrent Department of Health Social Care funding (£0.262m) and projected shortfalls on Residents Contributions (£0.066m). There are minor overspends of £0.027m.</p>	<p>The services are working to implement the changes required to deliver the savings and to identify further opportunities to make efficiencies across all the services. There is an ongoing workstream to ensure that all appropriate funding streams are maximised. However, this is unlikely to address the potential overspend of £1.300m. As mentioned in the main report, available corporate risk provision is being used to mitigate the council's overall position which is primarily due to the pressures detailed here and under Adults Assessment.</p>
Commissioning & Contracts			
(4)	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 5 Forecast Variance £'000	Service	2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(56)	Transport	(3,985)	(3,728)	257	-6.4%
4	City Infrastructure	28,641	28,819	178	0.6%
40	City Regeneration	1,078	1,098	20	1.9%
98	Planning & Public Protection	4,517	4,554	37	0.8%
86	Total Non Housing Services	30,251	30,743	492	1.6%
392	Housing	15,746	15,754	8	0.1%
478	Total Revenue - Environment, Development & Housing	45,997	46,497	500	1.1%

Explanation of Key Variances:

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Transport			
(43)	Corporate Critical – Parking Operations	<p>Overall the corporate critical parking budget is forecast to underspend by £0.043m. The main components of this are shown below and include the anticipated effects of the free parking agreed at Urgency Policy & Resources Committee in November:</p> <ul style="list-style-type: none"> London Road car park is expected to achieve additional income of £0.185m largely as a result of letting an additional 220 season ticket spaces to a large local business. 	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		<ul style="list-style-type: none"> • Surplus permit income of £0.157m. This has resulted from an increased demand for permits, partially trader permits where removal of the waiting list has increased demand and also a general migration from on-street parking to permits. • An expected £0.107m surplus on leased car park income. • On-street parking income received to date and the forecast tariff model suggests a potential under achievement of income by approximately £0.062m. Most of this relates to the anticipated impact of the free parking days agreed at Urgency Policy & Resources Committee in November. • There is a forecast under-achievement of income of approximately £0.324m 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 less than anticipated in the tariff model. • There is a forecast under achievement of £0.173m relating to Penalty Charge Notice (PCN) income. • There is a forecast underspend of £0.106m on unsupported borrowing costs relating to pay & display machines which have now been fully paid for. • Other minor underspends of £0.047m. 	
172	Highways	At Month 5 pressures of £0.060m were identified. These were mainly in relation to £0.065m for staff	The service will continue to identify potential salary variances and cost recovery to fund the

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		funding and agency costs and £0.005m for counsel costs, partially offset by additional income of £0.024m. Since then the forecast pressure has increased by £0.112m. Of this, £0.100m is in respect of potential pressures on the safety maintenance reactive budget as a result of increased repairs needed following the recent storm damage. A further £0.020m relates to higher than anticipated costs of external specialists to undertake street work inspections required under the New Road & Street Works Act.	highlighted pressures.
128	Highways Engineering	The £0.128m variance relates to Highways Engineers' costs rechargeable to capital. The expected value of works rechargeable to capital is less than the budgeted recovery target. The current forecast has been based on a high level analysis of the expected works during the year.	No reasonable mitigations have been identified and this has been factored into assumptions about service pressure funding requirements for 2014/15.
City Infrastructure			
106	City Clean	An overspend of £0.102m has been reported within the City Clean Operations section. The majority of this relates to the impact of industrial action, which is estimated to result in a cost to the service of approximately £0.078m. Other variances relate to additional costs expected in refuse and recycling due to provisions for new rounds bedding in.	The use of agency staff across the street cleansing service will be reviewed as a potential way of reducing the variance across the remainder of the year.
72	City Parks	There is a forecast £0.065m under-achievement of income at Roedean and Rottingdean golf courses. The leases have come to an end and the sites have been re-marketed. Roedean has been re-let but the rent has reduced reflecting the economic downturn.	Rottingdean has been marketed twice but a suitable tenant is still being sought.
City Regeneration			
20	Sustainability	The main pressure is on income of (£0.015m).	An exercise is being carried out to establish

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
			whether the sustainability budget could be better aligned to reflect actual activity with the regards to the unrecoverable income.
Planning & Public Protection			
(27)	Development Planning	<p>There is a forecast overspend of £0.038m within the Development Management budget of which £0.020m relates to a shortfall of income. 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.</p> <p>A further £0.019m pressure has been identified 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 £0.080m.</p>	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 November / early December.
64	Public Protection	The forecast reflects an anticipated overspend of £0.048m on employee budgets as well as small underspends on supplies and services and a minor under-achievement of income. There are potential costs of £0.012m for site investigation of contaminated land in Saltdean, which the council has a duty to investigate. This has not been reported as an overspend at this stage, as the potential of cost recovery is being investigated.	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			
(273)	Corporate Critical Temporary	There is a projected improvement on Housing Benefit collection based on current income levels whilst costs on spot purchase use of Bed &	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
	Accommodation & Allocations	Breakfast has been managed below budget. Legal fees are below budget as procurement of the larger leases will occur next financial year and there is a £50k projected reduction in subsidy loss payments taken at year end. In addition Welfare reform has not impacted as much as anticipated this financial year due to the delayed implementation of Universal Credit.	
137	Travellers	The reduction in the projected pressure is largely for Horsdean Transit site and also because the busy season for unauthorised encampments has ended. The £0.041m overspend on Horsdean site is due to major works including plumbing and drainage, essential health and safety works; back dated utility bills, increased security costs and income loss due to the site being closed. The projected overspend has been reduced as a decision has been made to not install a new CCTV system at Horsdean in 2013/14 . We have reduced waste removal costs at Horsdean by introducing City Clean service at the site. There have also been lower than expected legal costs. There is a £0.053m overspend on unauthorised encampments due to fly tipping waste removal costs, increased legal costs and increased costs for the removal and storage of vehicles.	A financial recovery process is in place which has helped to significantly reduce the projected overspend. Efficiencies are being found from office costs, site running costs, negotiated reduced security rates. We are exploring other ways we could prevent expenditure on unauthorised encampments. This is a very reactive service and we are limited in our ability to control expenditure but will be making every effort.
14	Housing Support Services	The £0.014m pressure is due to staffing costs.	We will look to find efficiency services from elsewhere to mitigate this pressure.
130	Other Housing	There is a pressure of £0.170m mainly relating to the capitalisation of legitimate staff costs against remaining private sector renewal / disabled facilities grant capital schemes. A review of these	Potentially capitalising these costs against the relevant projects.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		costs is pending and will be reported in the Month 9 TBM report. There are offsetting underspends in Housing Options due to reduced staffing costs, including vacant posts and reduced costs relating to sickness absence.	

Appendix 1 – Revenue Budget Performance

Assistant Chief Executive - Revenue Budget Summary

Month 5 Forecast Variance £'000	Service	2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
0	Communications	791	794	3	0.4%
0	Royal Pavilion, Arts & Museums	3,743	3,743	0	0.0%
151	Tourism & Venues	1,565	1,717	152	9.7%
0	Corporate Policy, Performance & Communities	5,876	5,865	(11)	-0.2%
0	Sport & Leisure	891	891	0	0.0%
151	Total Revenue - Assistant Chief Executive	12,866	13,010	144	1.1%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Communications			
3	Communications	Minor overspend reported at Month 7.	
Royal Pavilion, Arts & Museums			
0	Royal Pavilion, Arts & Museums	Break-even position reported at Month 7.	
Tourism & Venues			
152	Tourism & Venues	Tourism & Venues are reporting a pressure of £0.152m at Month 7, which is broken down as follows: - Venues had an overspend of £0.422m last financial year due mainly to reduced bookings for entertainments. As a result of the action taken to help secure further bookings and maximise future business opportunities the overall pressure reported at Month 7 is much reduced at £0.116m. There is a pressure of £0.035m against Tourism	Further action will be taken to secure further bookings and maximise future business opportunities.

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Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		largely relating to the full-year savings target applied to the Visitor Information Centre which did not actually close until October, and reduced advertising receipts against Marketing.	
Policy, Civic ,Performance & Communities			
(11)	Policy, Civic, Performance & Communities	Minor underspend reported at Month 7.	
Sport & Leisure			
0	Sport & Leisure	Sport & Leisure are reporting a break-even position at Month 7. 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 5 Forecast Variance £'000	Service	2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
0	Public Health	35	35	0	0.0%
0	Community Safety	1,595	1,595	0	0.0%
8	Civil Contingencies	177	184	7	4.0%
8	Total Revenue - Public Health	1,807	1,814	7	0.4%

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Public Health			
0	Public Health	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.	
Community Safety			
0	Community Safety	Community Safety are forecasting a break-even position at Month 7.	
Civil Contingencies			
7	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.

Resources & Finance and Law - Revenue Budget Summary

Month 5 Forecast Variance £'000	Service	2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(437)	City Services	13,664	13,188	(476)	-3.5%
0	Housing Benefit Subsidy	(569)	(669)	(100)	16.2%
0	HR & Organisational Development	4,281	4,281	0	0.0%
140	ICT	6,757	7,007	250	3.7%
(218)	Property & Design	4,140	3,798	(342)	-8.3%
(75)	Finance	6,449	6,324	(125)	-1.9%
(9)	Legal & Democratic Services	3,308	3,277	(31)	-0.9%
(599)	Total Revenue - Resources & Finance	38,030	37,206	(824)	-2.2%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
City Services			
(476)	City Services	Revenues and Benefits are forecasting an underspend of £0.658m. This is the first year of budgeting for the new welfare reforms, and the changing timelines and complexities of the schemes have been difficult to project. The underspends have been mostly from payments from the Local Discretionary Social Fund (£0.421m), Council Tax Relief (£0.228m), and other discretionary discounts and payments (£0.086m) due to initial take up being less than anticipated. However, these lower than	

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Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		<p>expected costs have helped shape the budget planning process for 2014/15. Elsewhere in the service, the strategy to minimise the number of people going to court has meant reductions in court costs charged to customers of £0.049m and there are other net costs of £0.028m due mainly to small ICT pressures.</p> <p>Life Events has some stretched income targets, which it is struggling to meet. However, this month it has continued to reduce its overspend to £0.182m. Pressures from the Crematorium, mostly due to the impact of major works from the Mercury Abatement scheme, are forecast at £0.047m. Plot sales at the Woodland Valley Burial Site are also less than expected, resulting in a shortfall of £0.050m. The Registrars service is also expected to cause a pressure of £0.086m, including a challenging income target, though plans are in place to address this.</p>	<p>A financial recovery plan for Life Events has been drawn up within the service. However it is to be noted that whilst it is hoped that the projections for Life Events will continue to improve during the remainder of this financial year, the full effect of the recovery plan may not be seen until 2014/15.</p>
Housing Benefit Subsidy			
(100)	Corporate Critical - Housing Benefit Subsidy	<p>The Housing Benefit Subsidy budget is expected to achieve a surplus of £0.100m. This is a large and complex budget area and the forecast will be kept under review as new data becomes available from the Housing Benefit system over the remainder of the year.</p>	
HR & Organisational Development			
0	HR & Organisational	Human Resources & Organisational	

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Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
	Development	Development is still expecting to remain within budget this year. Following an analysis of the service's budget to realign staff estimates and income targets, a pressure of £0.124m was identified. This pressure has now been fully addressed for 2013/14 and it is expected that the service will be able to work within a balanced budget for 2014/15.	
ICT			
250	ICT	<p>The forecast at Month 7 is an overspend of £0.250m which is an increase of £0.110m since Month 5. This increase is due to:</p> <ul style="list-style-type: none"> • Additional staffing costs arising from information security compliance urgent temporary contractors (£0.040m). • Improvements to the Internet feed to enhance internet performance in order to protect core business use (£0.035m). • Review of storage area network due to additional demands on storage and backup relating to security compliance work. (£0.035m). <p>This is in addition to the previously highlighted pressures on our VFM savings targets (Microsoft Enterprise agreement and telephony) as well as an overspend on our contracts budget due to ongoing security issues.</p>	The service is developing a financial recovery 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. There will be ongoing costs of the tighter security regime which will be factored into the service pressures assumptions for 2014-15.

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Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Property & Design			
(342)	Property & Design	The commercial rent forecasts are being maintained despite the difficult economic climate for rental properties on the high street.	
Finance			
(125)	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			
(31)	Legal & Democratic Services	This is due to extended vacancy control and overachievements in income.	

Corporate Budgets - Revenue Budget Summary

Month 5 Forecast Variance £'000	Unit	2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
(150)	Bulk Insurance Premia	3,167	3,017	(150)	-4.7%
54	Concessionary Fares	10,144	10,198	54	0.5%
(25)	Capital Financing Costs	9,721	9,696	(25)	-0.3%
0	Levies & Precepts	158	158	0	0.0%
1,355	Corporate VfM Savings	(1,126)	229	1,355	120.3%
0	Risk Provisions	4,059	3,472	(587)	-14.5%
23	Other Corporate Items	(14,919)	(14,881)	38	0.3%
1,257	Total Revenue - Corporate Budgets	11,204	11,889	685	-6.1%

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	The 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			
(587)	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 £2.078m. It is estimated that £0.200m of this will be allocated in year to support pay modernisation. All remaining funds will be transferred to 	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		<p>reserves to support future restructures or anticipated increases in pension contribution costs.</p> <ul style="list-style-type: none"> ○ Risk provisions of £1.472m of which £0.885m has been previously committed. Most of this (£0.800m) is in respect of Hollingdean Depot as agreed by this Committee in October 2013. This leaves a remaining balance of £0.587m ○ Contingency and other items of £0.509m, mostly relating to Welfare Reform. <p>As mentioned in the main report, the remaining risk provision of £0.587m will be utilised to partially mitigate the forecast outturn overspend at Month 7. The remaining overspend must be taken into account when setting the 2014/15 budget and will be considered in the associated General Fund Revenue Budget report also on this agenda.</p>	
Other Corporate Items			
38	Other Corporate Items	Variances on unringfenced grants.	

Appendix 1 – Revenue Budget Performance

Housing Revenue Account - Revenue Budget Summary

Month 5 Forecast Variance £'000	Housing Revenue Account	2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
30	Employees	8,594	8,608	14	0.2%
(37)	Premises – Repair	11,028	11,032	4	0.0%
(4)	Premises – Other	3,363	3,192	(171)	-5.1%
39	Transport & Supplies	2,201	2,224	23	1.0%
92	Support Services	2,034	2,126	92	4.5%
(3)	Third Party Payments	147	144	(3)	-2.0%
0	Revenue contribution to capital	20,774	20,774	-	0.0%
(231)	Capital Financing Costs	8,148	7,917	(231)	-2.8%
(114)	Net Expenditure	56,289	56,017	(272)	-0.5%
17	Dwelling Rents (net)	(49,235)	(49,218)	17	0.0%
(64)	Other rent	(1,269)	(1,333)	(64)	-5.0%
24	Service Charges	(4,932)	(4,837)	95	1.9%
(15)	Supporting People	(465)	(480)	(15)	-3.2%
2	Other recharges & interest	(388)	(386)	2	0.5%
(36)	Net Income	(56,289)	(56,254)	35	0.1%
(150)	Total	-	(237)	(237)	

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Housing Revenue Account			
14	Employees	Employees costs have increased mainly in the Tenancy Services area, in particular providing support for Welfare Reform changes, such as support for mutual exchanges.	This is currently being managed within the service by underspends elsewhere in the HRA.
4	Premises-repairs	Costs of servicing lifts and door entry systems are forecast to overspend by £0.098m but these extra costs are off-set by an underspend on repairs to the Housing Centre.	
(171)	Premises-other	The forecast expenditure for gas and electricity has reduced by £0.168m due to lower contract inflationary increases and less usage than budgeted for.	
23	Transport & Supplies	Additional costs of £0.020m for supporting regeneration at Kingswood and Milner, working with families of multiple deprivation.	This is currently being managed within the service by underspends elsewhere in the HRA.
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 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 an over achievement of income for commercial rents due to rents being revised after the budget was set.	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
95	Service Charges	There is a reduction in the service charges to leaseholders income of approximately £0.070m which relates to the actual cost of services for 2012/13 (recently billed) being lower than estimated. It has previously been reported that TV Aerial income is forecast to be £0.020m less than budgeted as a result of charges to a further group of tenants not being applied at 1 st April 2013. This is due to a dispute over whether installations have been completed as expected.	This is currently being managed within the service by underspends elsewhere in the HRA. Leaseholder Service charges budgets are reviewed annually as part of the budget setting process to incorporate changes to services and forecast spends.

Dedicated Schools Grant - Revenue Budget Summary

Month 5 Forecast Variance £'000	Dedicated Schools Grant (DSG)	2013/14 Budget Month 7 £'000	Provisional Outturn Month 7 £'000	Provisional Variance Month 7 £'000	Provisional Variance Month 7 %
0	Individual Schools Budget (ISB) <i>(This does not include the £7.114m school balances brought forward from 2012/13)</i>	125,166	125,166	0	0.0%
0	Early Years Block (excluding delegated to Schools) including Private Voluntary & Independent (PVI) <i>(Early Years 3 & 4 year old funding for the 15 hours free entitlement to early years education)</i>	11,867	11,852	(15)	-0.1%
(18)	High Needs Block (excluding delegated to Schools). <i>(This includes the £1.089m underspend brought forward from 2012/13)</i>	13,261	13,301	40	0.3%
(291)	Exceptions and Growth Fund	4,604	3,950	(654)	-14.2%
0	Grant Income	(153,809)	(153,809)	0	0.0%
(309)	Net DSG Budget	1,089	460	(629)	-57.8%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Early Years Block			
(15)	Funding for Two Year Olds	This relates to a slightly lower than anticipated take up of early years free entitlement for 2-year olds.	
High Needs Block			
123	Sick Children	Estimated overspend in the budget for educating children who are unable to attend school due to illness and are taught in hospital.	
(80)	Educational Agency	Costs in children's education agency placements being	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
	Placements	less than anticipated due to a lower than budgeted number of placements.	
(18)	Education of Looked After Children	Average unit costs are lower than originally budgeted.	
15	Various	Other minor overspends.	
Exceptions & Growth Fund			
		The total underspend of £0.654m in this area relates to items specifically approved by the Schools Forum and is therefore not available for general DSG spending.	
(350)	Early Years	This relates to increasing the capacity of providers and must be spent on this subsequently in 2014/15.	
(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 the currently unallocated exceptions budgets.	
(130)	Carbon Reduction Commitment (CRC)	£0.130m relates to the CRC underspend in 2013/14.	
(58)	Admissions & Transport	Staff savings.	
43	Various	Other minor overspends.	

NHS Trust Managed S75 Budgets - Revenue Budget Summary

Month 5 Forecast Variance £'000	S75 Partnership	2013/14 Budget Month 7 £'000	Forecast Outturn Month 7 £'000	Forecast Variance Month 7 £'000	Forecast Variance Month 7 %
228	Sussex Partnership Foundation NHS Trust (SPFT)	11,429	11,649	220	1.9%
61	Sussex Community NHS Trust (SCT)	641	704	63	9.8%
289	Total Revenue - S75	12,070	12,353	283	2.3%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note WTE = Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Sussex Partnership Foundation NHS Trust			
220	SPFT	Sussex Partnership NHS Foundation Trust are reporting an overspend of £0.440m at Month 7 (a decrease of £0.016m from Month 5), reflecting pressures from a lack of affordable residential and nursing placements across the board, potentially leading to increased use of high cost placements and waivers within Older People Mental Health. There continues to be a pressure from an increase in need and complexity in Adult Mental Health and forensic services within residential and supported accommodation. Overall activity shows that there are 79 whole time equivalent clients more than budgeted (increase of 9%). 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 £0.220m reported here.	Ongoing scrutiny at Panel and identifying appropriate funding streams. The BHT Start project has been extended. Move on activity to remain a key element of work for Transitions team and Recovery services.
Sussex Community NHS Trust			
63	SCT	The pressure of £0.063m 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 were 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	1.112	1.172	0.000	48.7%
Children's Services	2.660	2.162	1.545	0.000	81.3%
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	4.797	5.184	1.381	46.5%

* 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	Directorates have been requested to revisit service redesign proposals and have been given indicative targets to meet in order to address the shortfall. However, the saving is unlikely to be achieved in full in this financial year, which will require the use of risk provisions built into the approved budget in recognition of the level of risk inherent in achieving this saving and other complex or higher risk savings. The forward position is more critical given the substantial savings requirement next year and

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 which is closed.	every effort will be made to ensure this does not impact further on 2014/15.
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 determine whether 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 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.

Appendix 3 – Capital Programme Performance

Children’s Services – Capital Budget Summary

Forecast Outturn Month 5 £'000	Service	2013/14 TBM 5 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 4) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 7 £'000	Provisional Outturn Month 7 £'000	Provisional Variance Month 7 £'000	Provisional Variance Month 7 %
0	Child Health Safeguard and Care	956	53	0	(322)	687	687	0	0.0%
0	Education and Inclusion	17,363	0	0	(2,854)	14,509	14,509	0	0.0%
0	Schools	7,985	0	450	19	8,454	8,454	0	0.0%
0	Total Children’s Services	26,304	53	450	(3,157)	23,650	23,650	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 Slippage	(322)	Two Year Olds - Capital Funding	The majority of the costs are likely to occur in the summer of 2014. Therefore the service needs to carry forward funding for this budget into next year.	
Education and Inclusion				
Budget Reprofile	(2,666)	New Pupil Places	<p>Large elements of funding allocated to Local Authorities can be formula based or in response to bids. Once funding is secured projects are designed, developed and construction started on site. However, cashflows for schemes rarely follow in-year allocations.</p> <p>This has been the case with St Peter’s Primary, St Nicolas CE Primary and Brakenbury Primary (formerly Portslade Infant) Schools. The main building works at St Peter’s and St Nicolas have completed and expenditure processed this year. The extension and alteration project at Brackenbury</p>	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			<p>Primary School will complete in 2014/15 requiring an element of budget carry forward to meet the outstanding commitment.</p> <p>West Hove Juniors at Holland Road (Hove Police Station site) has started on site following the purchase of the site. This project is due for completion in July 2014 with significant expenditure in 2014/15.</p> <p>The major extension and alteration project at Aldrington CE Primary School started on site at the end of October. This project is due for completion in August 2014 with significant expenditure in 2014/15.</p> <p>The design stage for the expansion at Connaught Infant School has started. While there will be some modest expenditure this year, the main building work is not due to start until April 2014.</p> <p>There is currently a forecast spend of £8.750m in 2013/14 for New Pupil Places and as a result seeks to reprofile £2.647m to 2014/15 to assist in meeting commitments next year.</p> <p>A budget virement of £0.019m to Whitehawk Co-location is also requested to meet the additional cost incurred there.</p>	
Budget Reprofile	(208)	Capital Maintenance	Currently forecasting a spend of £2.9m for this year's Capital Maintenance. Included in the budget are some major mechanical replacement projects. It has proved difficult to carry out work during term time in a number of schools and this is delaying the delivery of these works. Therefore, they will continue into the next financial year. As a result we are seeking to reprofile £0.208m to 2014/15 to assist in meeting our outstanding commitments.	
Budget Variation	20	Structural Maintenance	Current forecast for Planned Maintenance is £0.094m, slightly higher than the £0.092m budget. This increase can be met by raising the Revenue contribution to Capital.	
Schools				
Budget Variation	19	Whitehawk Co-location	There were a few outstanding works due to be carried out this year related to this project. A budget of £0.017m was set at the beginning of the year to	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			cover the cost of the work, but the conversion of Whitehawk Primary School to an Academy necessitated some additional works to separate utility supplies from the Co-Located Hub and Library. The work was completed over the summer holiday, but has seen an increase in costs and an outturn forecast of £0.037m. A virement of £0.019m from New Pupil Places is requested to meet this additional cost.	

Adult Services – Capital Budget Summary

Forecast Outturn Month 5 £'000	Service	2013/14 TBM 5 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 4) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 7 £'000	Provisional Outturn Month 7 £'000	Provisional Variance Month 7 £'000	Provisional Variance Month 7 %
0	Adults Assessment	274	0	0	150	424	424	0	0.0%
0	Adults Provider	2,015	0	150	(1,442)	723	723	0	0.0%
0	Commissioning and Contracts	1,181	0	0	0	1,181	1,181	0	0.0%
0	Total Adult Services	3,470	0	150	(1,292)	2,328	2,328	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
Adults Assessment				
Budget Variation	150	Telecare	It is proposed to transfer budget from underspent Craven Vale Conversion Works to fund the forecast overspend and support this important preventive investment.	
Adults Provider				
Budget Variation	(200)	Craven Vale Conversion Works	It is proposed to transfer £0.200m from the existing 2013/14 budget to fund the forecast overspend on Telecare (£0.150m) and contribute to the capital costs in respect of the Belgrave Centre Link extension (£0.050m). See below for the reasons for the underspend on the Craven Vale scheme.	
Budget Reprofile	(1,242)	Craven Vale Conversion Works	The planned Craven Vale capital development (agreed at P&R 24 January 2013) will not be proceeding as council officers and the CCG have reconsidered the priorities and the scheme is no longer seen as a priority in the development of short term services. It is proposed that the	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			remaining 2013/14 Craven Vale budget of £1.242m and the 2014/15 budget of £1.443m be set aside to support future projects, including, for example, the Brookmead Extra Care Housing development as detailed in a separate report elsewhere on this agenda.	

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

Forecast Outturn Month 5 £'000	Service	2013/14 TBM 5 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 4) £'000	Variation, Slippage/ reprofile £'000	2013/14 Budget Month 7 £'000	Provisional Outturn Month 7 £'000	Provisional Variance Month 7 £'000	Provisional Variance Month 7 %
0	City Infrastructure	4,277	0	0	(150)	4,127	4,127	0	0.0%
0	City Regeneration	4,329	0	0	(3,740)	589	589	0	0.0%
0	Planning & Public Protection	18	0	0	0	18	18	0	0.0%
0	Transport	9,962	0	0	425	10,387	10,387	0	0.0%
0	Housing	5,085	0	0	0	5,085	5,085	0	0.0%
0	Total Environment, Development & Housing GF	23,671	0	0	(3,465)	20,206	20,206	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 Slippage	(150)	Sheepcote Valley Household Waste	The project is delayed due to the fact that finalising the design and the funding for the scheme has taken longer than expected. The contractor (Veolia Environmental Services) needs to submit a revised planning application and this may be subject to an ecological survey. The project will now be completed in the 2014/15 financial year (subject to planning permission).	
City Regeneration				
Budget Reprofile	(3,207)	Super Connected Cities	Funding takes the form of a grant from a government agency (Broadband Development UK). Following State Aid discussions with the European Commission BDUK has had to alter the focus of the spending which has added time and means that there will be procurement processes to be	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			undertaken that will move much of the spending into next financial year.	
Budget Reprofile	(91)	Improvements to New England House	The New England House project has been identified as a key element of the City Deal bid and a key requirement of government is funding to overcome the viability gap. As such the project has needed to work to the City Deal timetable. The City Deal is yet to be completed, but once it is, it is expected that the project will move more quickly and require spending of much of the project budget in the next financial year.	
Budget Reprofile	(54)	Regeneration of Black Rock	Funding to support redevelopment of the Black Rock site remains secured, but will not be expended until proposals are forthcoming for the site. This is currently expected in 2014/15.	
Budget Reprofile	(188)	Brighton Centre Redevelopment	A long term sustainable financial solution for conferencing in the city remains a priority for the City Council and a resolution for the Brighton Centre forms part of this. Options continue to be reviewed and discussions remain ongoing to achieve a long term sustainable scheme which maximises the returns to the City Council.	
Budget Reprofile	(103)	Major Projects	Reprofiles of less than £0.050m each for various schemes within Major Projects: Preston Barracks site £0.018m, Circus Street Development £0.012m, Shoreham Harbour Regeneration £0.020m, The Keep £0.030m, i360 Project £0.023m	
Budget Variation	(97)	Major Projects	Resourcing changes for the capital spend within Major Projects, as this funding has been switched to revenue, resulting in a small reduction in the capital budget for this area.	
Transport				
Budget Variation	425	Controlled Parking Schemes	A budget variation is requested to provide a capital budget for potential parking schemes in accordance with the planned programme. As required, the capital budget is financed through revenue generated by each scheme. The parking scheme timetable agreed at Transport Committee in January 2013 outlined a programme of consultation in various areas across the city up to 2017. Costs for forthcoming schemes up to 31 March	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			2014 are an approximation because spend on implementation depends on the support for the schemes, and the size and complexity of the scheme.	

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

Forecast Outturn Month 5 £'000	Service	2013/14 TBM 5 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 4) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 7 £'000	Provisional Outturn Month 7 £'000	Provisional Variance Month 7 £'000	Provisional Variance Month 7 %
0	City Regeneration	1,600	0	0	0	1,600	1,600	0	0.0%
(124)	Housing	31,976	0	0	(2,430)	29,546	29,439	(107)	-0.4%
(124)	Total Environment, Development and Housing HRA	33,576	0	0	(2,430)	31,146	31,039	(107)	-0.3%

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

Detail Type	£'000	Project	Description	Mitigation Strategy
Housing				
Budget Reprofile	(1,039)	Cladding	Essex Place, Holmstead & Bristol Estate (Phase 2). Additional time was required to negotiate more advantageous rates for the delivery of these projects which has resulted in further delays. This has had an impact on the start date for these projects and will require funding to be reprofiled into 2014/15.	Sufficient resources are available for any emergency repairs that may arise in the intervening period.
Budget Reprofile	(1,343)	Lifts	Following initial survey works it was decided that it would be more prudent to move the St James House lift replacement to 2014/15 to allow more structural surveys due to the type of construction and the presence of asbestos. The replacement programmes at Leech Court, Nettleton Court, Philip Court and Hereford Court have been delayed to allow for further	These delay are not expected to impact on the current 7 Year replacement programme.

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			negotiations on price and are due to start in January/February 2014 and will be completed in the first half of 2014/15.	
Budget Reprofile	(48)	Windows	Additional time was required to negotiate more advantageous rates on the Essex Place project which has resulted in further delays. This has had an impact on the start date for this project and will require funding to move into 2014/2015.	
Underspend	(107)	TV Aerials	Working closely with the contractor, the cost to complete the programme of installations has been reduced below the current budgeted level.	These underspends will be reinvested into other elements of the capital programme.
Underspend	(100)	Door Entry and CCTV	The programmed replacement of Door Entry and CCTV Systems has been put on hold until the new contract starts on 1st April 2014. This is expected to enable a higher degree of Value for Money to be achieved by using a more advantageous rate.	There will still be some installation of door entry and CCTV systems during 2013/14 where it is deemed more cost effective to replace rather than continuing to repair.
Underspend	(148)	Windows	Projects at North Whitehawk, Hereford, Nettleton and Dudeney, Jubilee and Lindfield are all being completed during the latter half of 2013/14. Further savings have been identified, compared to the original project costings, and contingency sums have been released as they are no longer required.	These underspends will be reinvested into other elements of the capital programme.
Underspend	(70)	Communal Gas	Same as above.	These underspends will be reinvested into other elements of the capital programme.
Underspend	(70)	Cladding	Same as above.	These underspends will be reinvested into other elements of the capital programme.
Underspend	(150)	Water Tanks	Formulation of the replacement programme for water tanks has taken longer than anticipated. This was caused by assessing the suitability of sites for the use of alternative types of equipment. This has led to an underspend on this year's budget.	Water quality monitoring has continued through the revenue budget. There is provision in the proposed 2014/15 capital programme for water tank

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
				replacement.
Overspend	105	Condensation and Damp	There continues to be pressure placed upon the reactive budget for condensation and damp.	Some major projects, like Bristol Estate, have specific elements to deal with damp and condensation issues, which should reduce the need for works to be carried out in future years.
Overspend	133	Domestic Rewire	Increase in the number of properties that require rewiring to meet the Decent Homes standard.	Data is being reviewed to see if this increase is a result of the profile of properties in 2013/14 or if this is indicative of an ongoing trend.
Overspend	50	Ventilation	Due to current equipment failing and being beyond economic repair, installation of new equipment has been required.	A new maintenance and renewal contract is being let on the 1st April 2014 and this equipment had already been identified within that contract for replacement.
Overspend	250	Roofing	Planned works have been brought forward and funded from HRA Capital underspends in 2013/14	This investment will prevent disrepair and will reduce spend on revenue maintenance budgets.

Appendix 3 – Capital Programme Performance

Assistant Chief Executive - Capital Budget Summary

Forecast Outturn Month 5 £'000	Service	2013/14 TBM 5 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 4) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 7 £'000	Provisional Outturn Month 7 £'000	Provisional Variance Month 7 £'000	Provisional Variance Month 7 %
0	Corporate Policy Performance & Communities	10	0	82	0	92	92	0	0.0%
(0)	Royal Pavilion Arts & Museums	4,702	0	0	0	4,702	4,702	0	0.0%
(160)	Sports & Leisure	3,365	0	57	0	3,422	3,262	(160)	-4.7%
0	Tourism & Venues	4,512	0	0	0	4,512	4,512	0	0.0%
(160)	Total Assistant Chief Executive	12,589	0	139	0	12,728	12,568	(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				
Underspend	(160)	Withdean Athletics Track	There is a projected underspend for the Withdean Athletics Track scheme of £(0.160m).	

Appendix 3 – Capital Programme Performance

Finance, Resources and Law - Capital Budget Summary

Forecast Outturn Month 5 £'000	Service	2013/14 TBM 5 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	2,393	0	0	0	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	6,098	0	0	(544)	5,554	5,554	0	0.0%
0	Finance	27	0	0	0	27	27	0	0.0%
0	Total Finance, Resources and Law	10,552	0	0	(544)	10,008	10,008	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
Property & Design				
Budget Reprofile	(41)	Hollingdean Depot	Demolition of the DPS building to be undertaken along with the central office and therefore the new vehicle workshop build is now likely to fall in 2014/15.	
Budget Reprofile	(150)	Madeira Terrace Structural Repairs and Resurfacing	Projected spend of £0.100m in 2013/14 on trial bays and further investigation works is planned in January and February. Further capital funds will now need to be allocated in 2014/15.	
Budget Reprofile	(87)	Preston Manor Electrical Remedials	The rewiring was to be an element of Phase 3 of the project but the extent and impact on the historical fabric of the grade 2 star listed building means that it will now need to form Phase 4 of the refurbishment of Preston Manor to be undertaken in 2014/15. High	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			priority electrical remedials will still be undertaken under Phase 3 and funded from other budgets allocated to Preston Manor.	
Budget Reprofile	(63)	Holy Trinity Stonework	Contractor appointed at £0.170m plus fees. Full spend is dependant upon winter weather and the scope of additional works.	
Budget Reprofile	(42)	New England House	Health & safety and fire alarms – tenant areas specification is currently still being negotiated resulting in the need for a minor reprofile.	
Budget Reprofile	(39)	King Alfred Landlord's Responsibility	Late water improvement works plus calorifiers, possible fire alarm and possible Asbestos removal are awaiting instruction balanced against future life of building. A reprofile is required to match budget to the timetable for decisions.	
Budget Reprofile	(35)	Miscellaneous Internal Refurbishments	Major internals to Craven Vale estimated at £0.130m are to be tendered shortly. We are unable to gain full access to all areas to enable free beds and avoid hospital delays. We are therefore assuming this work will span financial years and requires reprofiling.	
Budget Reprofile	(115)	External Improvement Works	Large elements of the planned programme have been put on hold pending the outcome of an Adult Social Care service review. This includes works at Buckingham Road, Hillview and the Belgrave Centre ISIS store. A reprofile is therefore requested.	
Budget Variation	28	Preston Manor External Repair & Redecoration Phase 2	There has been a small change to the Preston Manor external repair and redecoration Phase 2 scheme requiring reprofiling of £0.028m.	

New Capital Project Approval Request				
Service:	Adults Provider			
Project title:	Belgrave Centre – Link extension			
Total Project Cost (All Years)	£150,000			
Purpose, benefits and risks:				
<p>As part of the related schools project, Connaught Day Centre will be moving to Belgrave Centre to allow for expansion of school placements across the city. This capital scheme is for works at Belgrave Centre to link two buildings together to accommodate the move from Connaught Day Service to Belgrave Centre.</p>				
Capital expenditure profile (£'000):				
Year	2013/14	2014/15	2015/16	TOTAL
Revenue Contributions	100	0	0	100
Other (please state) - See Financial implications	50	0	0	50
Total estimated costs and fees	150	0	0	150
Financial implications:				
<p>£0.100m funding has been identified from the Children's General Fund budget underspend as a contribution towards the capital scheme with the remaining £0.050m to be transferred from the Craven Vale Capital project managed by Adult Services. Additional funds may be required once the tender has been finalised due to lift access at Belgrave Centre which will need to come from within the Adult Services budgets.</p>				

New Capital Project Approval Request

Service:	Schools
Project title:	Hove Park Learning Transformation – iPad project Phase 2
Total Project Cost (All Years):	£200,000

Purpose, benefits and risks:

Hove Park school aims to use the project to provide a pathfinder for other schools in Brighton and Hove, providing free support in all aspects of planning, training and delivery to other LA schools. In addition, the school is in the process of placing its curriculum materials on-line as 'iTunes U courses'. Hove Park is the first local authority school in the world to be given a public site on iTunes U in order that it can freely share its learning materials with pupils, parents and other schools. Over the next two years, working in partnership with Apple and a number of other English schools it aims to have published courses covering the whole curriculum. The school received a loan of £0.200m last year in order to upgrade its infrastructure to support the project launch. The second phase request is to provide a loan to spread the cost of the introduction of the devices to students in all years in one go. The loan will enable the school to spread the cost of this model of introduction over 5 years. The costs covered will include the provision of essential equipment to staff, the cost of subsidies given to parents with more than one child and the support provided to parents to spread the cost of payments.

Capital expenditure profile (£'000):

Year	2013/14	2014/15	2015/16	TOTAL
Unsupported Borrowing	200			200
Total estimated costs and fees	200			200

Financial implications:

The school has modelled the financial implications of the project into the whole school budget. The provision of a loan of £0.200m this year will enable the school to spread the cost of its introduction over 5 years. The cost of loan repayments and the on-going costs of the refresh of ICT equipment and management of the project in coming years have been built into budget planning. No further grant or loan support will be needed to sustain the project in future years.

Appendix 4 – Capital Programme Changes

New Capital Project Approval Request				
Service:	Seafront (Sport and Leisure)			
Project title:	Volks Railway Solar Project			
Total Project Cost (All Years):	£1,005,418			
Purpose, benefits and risks:				
<p>The Volks Electric Railway (VER) is a much loved historic attraction, owned and operated by BHCC. A development project has been created which seeks funding from the Coastal Communities Fund to turn VER - the world's oldest operating electric railway - into the world's first, entirely solar-powered electric railway. The project proposal includes an array of five iconic 'solar trees' and a landscaped 'solar park' area and a new custom built all-weather train to enable the railway to operate all year round. The project will contribute to the sustainable economic future of VER and the city through investing in this heritage attraction; bringing it up to date with an innovative approach to support the ongoing regeneration of Madeira Drive which has been identified as a priority for the seafront. The scheme will provide greater capacity for job creation in the visitor economy and act as a catalyst to stimulate greater investment in the green economy, in particular the renewables sector. A stakeholder mapping exercise was undertaken as part of the bid and, along with many others, stakeholders from the VERA, Madeira Drive businesses, Chamber of Commerce and the City Sustainability Partnership all expressed positive interest and support.</p>				
Capital expenditure profile (£'000):				
Year	2013/14	2014/15	2015/16	TOTAL
Grant – Coastal Communities Fund	57	888	60	1,005
Total estimated costs and fees	57	888	60	1,005
Financial implications:				
<p>The £1.005m Coastal Communities Fund contribution, if successful, will provide capital investment for a renewable energy product and new custom built all-weather train. Investment will also be made into renewable energy in particular solar trees and a solar park area to support the running of the railway. This investment will provide efficiency savings in running costs associated with the railway as well as providing carbon reductions and therefore the council's Carbon Reduction Commitment costs. Furthermore, the funding will finance the purchase of a new custom built all-weather train which will provide increased income streams associated with ticket sales. The increased ticket sales will meet any additional running costs such as salaries. Further work will be required to determine the running costs and ticketing income associated with the new scheme. A separate bid has been submitted to the Heritage Lottery Fund for much needed investment in the train shed and the outcome of this will be reported when a decision is made which is expected to be in the summer of 2015.</p>				

New Capital Project Approval Request				
Service:	Policy, Performance & Communities			
Project title:	Grant to voluntary & community organisations from number plate sale			
Total Project Cost (All Years):	£82,000			
Purpose, benefits and risks:				
<p>Full Council agreed to use this resource to support the community and voluntary sector. Work is underway, as part of our Financial Inclusion Strategy, to establish a central Advice Hub for the city and it is anticipated this resource would be used to support this initiative. Work is currently underway with partners to explore options and we anticipate being able to make a decision on the project within the next 12 months.</p>				
Capital expenditure profile (£'000):				
Year	2013/14	2014/15	2015/16	TOTAL
Capital Receipts from the sale of assets	82			82
Total estimated costs and fees	82			82
Financial implications:				
<p>Funded from capital receipts from the sale of the civic number plate.</p>				

New Capital Project Approval Request				
Service:	Adults Provider			
Project title:	Belgrave Centre – Link extension			
Total Project Cost (All Years)	£150,000			
Purpose, benefits and risks:				
<p>As part of the related schools project, Connaught Day Centre will be moving to Belgrave Centre to allow for expansion of school placements across the city. This capital scheme is for works at Belgrave Centre to link two buildings together to accommodate the move from Connaught Day Service to Belgrave Centre.</p>				
Capital expenditure profile (£'000):				
Year	2013/14	2014/15	2015/16	TOTAL
Revenue Contributions	100	0	0	100
Other (please state) - See Financial implications	50	0	0	50
Total estimated costs and fees	150	0	0	150
Financial implications:				
<p>£0.100m funding has been identified from the Children's General Fund budget underspend as a contribution towards the capital scheme with the remaining £0.050m to be transferred from the Craven Vale Capital project managed by Adult Services. Additional funds may be required once the tender has been finalised due to lift access at Belgrave Centre which will need to come from within the Adult Services budgets.</p>				

New Capital Project Approval Request				
Service:	Schools			
Project title:	Hillside School extension 2013			
Total Project Cost (All Years)	£250,000			
Purpose, benefits and risks:				
<p>At present the only access to the rest of the school from the reception is through the main school hall which is a teaching space and lunchtime canteen. The building extension is to provide weatherproof access from the reception to the rest of the school, move the door to the Deputy's office from the main hall to a corridor and improve the administration offices and reception. In addition, the school meals kitchen will also be updated. The work will lead to improvements in teaching & learning by providing uninterrupted teaching and lunch sessions in the main hall, create a more welcoming reception for visitors with space for wheelchair users, provide more suitable office accommodation and improve the school meals kitchen, which is very outdated.</p>				
Capital expenditure profile (£'000):				
Year	2013/14	2014/15	2015/16	TOTAL
Grant - Devolved Formula Capital	6	0	0	6
Borrowing	115	0	0	115
Revenue Contributions	129	0	0	129
Total estimated costs and fees	250	0	0	250
Financial implications:				
<p>The school will fund £0.135m through a combination of revenue contributions and Devolved Formula Capital. The balance of £0.115m will be financed from borrowing over a 10 year period. Financing costs associated with the borrowing have been factored into the school budget.</p>				

New Capital Project Approval Request				
Service:	Schools			
Project title:	Hove Park Learning Transformation – iPad project Phase 2			
Total Project Cost (All Years):	£200,000			
Purpose, benefits and risks:				
<p>Hove Park school aims to use the project to provide a pathfinder for other schools in Brighton and Hove, providing free support in all aspects of planning, training and delivery to other LA schools. In addition, the school is in the process of placing its curriculum materials on-line as ‘iTunes U courses’. Hove Park is the first local authority school in the world to be given a public site on iTunes U in order that it can freely share its learning materials with pupils, parents and other schools. Over the next two years, working in partnership with Apple and a number of other English schools it aims to have published courses covering the whole curriculum. The school received a loan of £0.200m last year in order to upgrade its infrastructure to support the project launch. The second phase request is to provide a loan to spread the cost of the introduction of the devices to students in all years in one go. The loan will enable the school to spread the cost of this model of introduction over 5 years. The costs covered will include the provision of essential equipment to staff, the cost of subsidies given to parents with more than one child and the support provided to parents to spread the cost of payments.</p>				
Capital expenditure profile (£'000):				
Year	2013/14	2014/15	2015/16	TOTAL
Borrowing	200			200
Total estimated costs and fees	200			200
Financial implications:				
<p>The school has modelled the financial implications of the project into the whole school budget. The provision of a loan of £0.200m this year will enable the school to spread the cost of its introduction over 5 years. The cost of loan repayments and the on-going costs of the refresh of ICT equipment and management of the project in coming years have been built into budget planning. No further grant or loan support will be needed to sustain the project in future years.</p>				

New Capital Project Approval Request				
Service:	Seafront (Sport and Leisure)			
Project title:	Volks Railway Solar Project			
Total Project Cost (All Years):	£1,005,418			
Purpose, benefits and risks:				
<p>The Volks Electric Railway (VER) is a much loved historic attraction, owned and operated by BHCC. A development project has been created which seeks funding from the Coastal Communities Fund to turn VER - the world's oldest operating electric railway - into the world's first, entirely solar-powered electric railway. The project proposal includes an array of five iconic 'solar trees' and a landscaped 'solar park' area and a new custom built all-weather train to enable the railway to operate all year round. The project will contribute to the sustainable economic future of VER and the city through investing in this heritage attraction; bringing it up to date with an innovative approach to support the ongoing regeneration of Madeira Drive which has been identified as a priority for the seafront. The scheme will provide greater capacity for job creation in the visitor economy and act as a catalyst to stimulate greater investment in the green economy, in particular the renewables sector. A stakeholder mapping exercise was undertaken as part of the bid and, along with many others, stakeholders from the VERA, Madeira Drive businesses, Chamber of Commerce and the City Sustainability Partnership all expressed positive interest and support.</p>				
Capital expenditure profile (£'000):				
Year	2013/14	2014/15	2015/16	TOTAL
Grant – Coastal Communities Fund	57	888	60	1,005
Total estimated costs and fees	57	888	60	1,005
Financial implications:				
<p>The £1.005m Coastal Communities Fund contribution, if successful, will provide capital investment for a renewable energy product and new custom built all-weather train. Investment will also be made into renewable energy in particular solar trees and a solar park area to support the running of the railway. This investment will provide efficiency savings in running costs associated with the railway as well as providing carbon reductions and therefore the council's Carbon Reduction Commitment costs. Furthermore, the funding will finance the purchase of a new custom built all-weather train which will provide increased income streams associated with ticket sales. The increased ticket sales will meet any additional running costs such as salaries. Further work will be required to determine the running costs and ticketing income associated with the new scheme. A separate bid has been submitted to the Heritage Lottery Fund for much needed investment in the train shed and the outcome of this will be reported when a decision is made which is</p>				

expected to be in the summer of 2015.

New Capital Project Approval Request

Service: Policy, Performance & Communities
 Project title: Grant to voluntary & community organisations from number plate sale
 Total Project Cost (All Years): £82,000

Purpose, benefits and risks:

Full Council agreed to use this resource to support the community and voluntary sector. Work is underway, as part of our Financial Inclusion Strategy, to establish a central Advice Hub for the city and it is anticipated this resource would be used to support this initiative. Work is currently underway with partners to explore options and we anticipate being able to make a decision on the project within the next 12 months.

Capital expenditure profile (£'000):

Year	2013/14	2014/15	2015/16	TOTAL
Capital Receipts from the sale of assets	82			82
Total estimated costs and fees	82			82

Financial implications:

Funded from capital receipts from the sale of the civic number plate.

Subject: Treasury Management Policy Statement 2013/14 –
Mid Year Review – Extract from the proceedings of
the Policy & Resources Committee meeting held on
the 5th December 2013

Date of Meeting:

Report of: Head of Law

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

Wards Affected: All

FOR GENERAL RELEASE

Action Required of the Audit & Standards Committee:

To receive the item referred from the Policy & Resources Committee for information:

Recommendation:

That the report be noted.

POLICY & RESOURCES COMMITTEE

**4.00 pm 5 December 2013
COUNCIL CHAMBER, HOVE TOWN HALL**

DRAFT MINUTES

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

PART ONE

74. TREASURY MANAGEMENT POLICY STATEMENT 2013/14 – MID YEAR REVIEW

- 74.1 The Executive Director for Finance & Resources introduced the report which provided a six monthly update in regard to the Treasury Management Policy Statement and the Treasury Management Practices for the year commencing 1 April 2013. It also detailed

the action taken during the period April to September 2013 to meet the policy statement and practices and the investment strategy. She stated that due to the difficulties in finding sufficient investment counterparties of suitable financial standing in relation to the Annual Investment Strategy, and the need to balance risks and secure investments, some changes were proposed which would need to be approved by full council.

- 74.2 Councillor Littman welcomed the report and noted that the economic climate around the world was still uncertain and therefore there was a need to review how the council's investments were made and to look at other banking organisations with a triple 'A' rating.
- 74.3 Councillor A. Norman stated that council officers had an excellent track record in this area and whilst the difficulties faced by the Co-op Bank were unfortunate, there was a need to maintain the council's position securely. She noted the possibility of utilising non-UK banks but asked if further information could be provided in regard to the RABOBANK and the Australian Banks referenced in the report at paragraph 3.15.
- 74.4 The Executive Director for Finance & Resources stated that she would ensure further checks were undertaken and confirm the outcome with Councillor Norman.
- 74.5 The Chair stated that he was sure the officers would monitor the situation carefully and noted that there was a degree of risk associated with any investment. He then put the recommendations to the vote.
- 74.6 **RESOLVED TO RECOMMEND:**
- (1) That the action taken during April - September 2013 to meet the Treasury Management Policy Statement 2013/14 and associated treasury management practices and the Annual Investment Strategy 2013/14 be endorsed;
 - (2) That it be noted that the maximum indicator for risk agreed at 0.05%, the authorised borrowing limit and operational boundary have not been exceeded; and
 - (3) That the Full Council be recommended to agree changes to the Annual Investment Strategy 2013/14 as set out in paragraphs 3.12 to 3.16 and appendix 3 of this report.

Subject:	Treasury Management Policy Statement 2013/14 – Mid Year Review – Extract from the proceedings of the Council meeting held on the 12 December 2013		
Date of Meeting:	21 January 2014		
Report of:	Head of Law		
Contact Officer:	Ross Keatley	Tel:	29-1064
	E-mail: ross.keatley@brighton-hove.gov.uk		
Wards Affected:	All		

FOR GENERAL RELEASE

Action Required of the Audit & Standards Committee:

To receive the item referred from the Council for information:

Recommendation:

That the report be noted.

COUNCIL

**4.30pm 12 December 2013
COUNCIL CHAMBER, BRIGHTON TOWN HALL**

DRAFT MINUTES

Present: Councillors Cobb (Chair), Randall (Deputy Chair), Barnett, Bennett, Bowden, Brown, Buckley, Carden, Cox, Davey, Deane, Duncan, Fitch, Gilbey, Hamilton, Hawtree, Hyde, Janio, Jarrett, Jones, A Kitcat, J Kitcat, Lepper, Littman, Mac Cafferty, Marsh, Meadows, Mears, Mitchell, Morgan, A Norman, K Norman, Peltzer Dunn, Phillips, Pissaridou, Powell, Robins, Rufus, Shanks, Simson, Smith, Summers, Sykes, C Theobald, G Theobald, Wakefield, Wealls, Wells, West and Wilson

PART ONE

56. TREASURY MANAGEMENT POLICY STATEMENT 2013/14 - MID YEAR REVIEW

54.1 Councillor Littman introduced the report which had been referred from the Policy & Resources Committee meeting held on 5 December 2013 to the Council for approval.

He stated that the most significant aspect was that despite claims that the worst aspects of the financial crisis were over the level of assurance was still low. Officers were looking at some non-UK investment opportunities with a very high rating of assurance; the Council continued to use the assurance levels set down by the three main agencies, and added the organisation only used sterling markets.

- 54.2 Councillor A. Norman stressed the need for a sound investment strategy to ensure that everything was done to protect tax payers money through investments; the Conservative Group were willing support the maximum levels to invest in Barclays Bank set at £10M and the list of investors expanded to include some non-UK banks with sufficiently high credit rating. It was added that safe investments had become increasingly difficult in the last few months and in-depth checking needed to be in place. Councillor A. Norman also thanked Officers for regular updates.
- 54.3 Councillor Hamilton commented that it was important the strategy look at what was available due to the low base rate and low returns, and noted the increase in the number of potential investments. He added that some of the best rate for investments was with the part-nationalised banks because these organisations were underpinned by the Government and represented a safer investment. The changes should enable the Council to generate a slightly higher return without increasing the level of risk.
- 54.4 Councillor Cox stated that it was terrible shame what had happened recently to the Co-Operative bank; in particular it's reduced status as an investment bank; he also made reference to loans from the bank to the Labour Party. The Council had avoided moves to put more investment into such ethical banks, and lastly wished the Co-Operative Bank success in its recovery.
- 54.5 Councillor Peltzer-Dunn asked for clarification in relation to whether Rabobank, of the Netherlands, had been included in the list of non-UK banks.
- 54.6 Councillor Morgan referred to comments made by Councillor Cox, and stated that approximately half of the funding for the Conservative Party came from than banking sector.
- 54.7 Councillor Jarrett added to the discussion and stated that some of the failings of the previous Labour Governments had been in their failure to undo changes made the Conservatives Governments that preceded them.
- 54.8 Councillor Littman clarified some of the points raised by the speakers and stated that the administration was in strong support of ethical and socially responsibly investments through ethical statements to accompany each deposit placed. He also stated that the Rabobank had not been included in those for potential investment due to the financial rating of the Netherlands, and noted that it had not seemed necessary to amend the papers as the Council were being asked to approve the principles of the investment strategy.
- 54.9 **RESOLVED:** That the Full Council agree changes to the Annual Investment Strategy 2013/14 as set out in paragraphs 3.12 to 3.16 and appendix 3 of the report.

Council

~~12th December 2013~~

~~Agenda Item 56~~

~~Brighton & Hove City Council~~

Subject:	Treasury Management Policy Statement 2013/14 (including Annual Investment Strategy 2013/14) – Mid Year Review		
Date of Meeting:	Council 12th December 2013 Policy & Resources Committee - 5 th December 2013		
Report of:	Executive Director of Finance & Resources		
Contact Officer:	Name: Mark Ireland	Tel: 29-1240	
	E-mail: mark.ireland@brighton-hove.gov.uk		
Wards Affected:	All		

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

- 1.1 The Treasury Management Policy Statement 2013/14 (TMPS) and the Treasury Management Practices (including the schedules) for the year commencing 1 April 2013 were approved by the Policy & Resources Committee on 21 March 2013. Full Council approved the Annual Investment Strategy 2013/14 (AIS), which forms part of the TMPS, on 28 March 2013. The policy statement sets out the key role for treasury management, whilst the practices and schedules set out the annual targets for treasury management and the methods by which these targets shall be met. The AIS sets out the parameters within which investments can be made.
- 1.2 The purpose of this report is to advise of the action taken during the period April to September 2013 to meet the policy statement and practices and the investment strategy. In order to address the continuing difficulties of finding sufficient investment counterparties of suitable financial standing this report also recommends changes to the AIS which will need to be agreed by full Council. These proposals have been discussed and finalised with our treasury management advisers in the light of benchmarking data from other councils and recommendations include a doubling of our investment limits with the higher rated UK financial institutions, the inclusion of a few highly rated foreign banks with UK based branches and the addition of some different types of investment used by other local authorities where returns can be higher but investment risks are lower.

2. RECOMMENDATIONS:

- 2.1 That Policy & Resources Committee endorses the action taken during April - September 2013 to meet the Treasury Management Policy Statement 2013/14 and associated treasury management practices and the Annual Investment Strategy 2013/14.
- 2.2 That Policy & Resources notes the maximum indicator for risk agreed at 0.05%, the authorised borrowing limit and operational boundary have not been exceeded.

- 2.3 That Policy & Resources recommend that Full Council agree changes to the Annual Investment Strategy 2013/14 as set out in paragraphs 3.12 to 3.16 and appendix 3 of this report.

3. CONTEXT / BACKGROUND INFORMATION

Overview of markets

- 3.1 The last few months have seen fewer headlines about problems within the Euro Zone but this does not mean the problems have gone away and over the coming months Greek debt refinancing will need to be resolved and countries such as Slovenia may find themselves requiring financial bailouts. The UK economy has shown continued positive growth, unemployment is down and the inflation outlook is weaker but analysts have concerns about whether this improvement is sustainable particularly given continued weakness in our main trading partners.
- 3.2 The new Governor of the Bank of England, Mark Carney, has with the Federal Reserve and the European Central Bank, tried to stabilise the markets by setting out a forward guidance strategy which indicates that the Bank Rate is likely to remain at its historic low until late 2016. This has had the bizarre impact that the markets now perceive good economic news as bad as it may bring forward the date when interest rates are increased and other economic stimuli are reduced. Various government initiatives particularly those to stimulate the housing market have meant that the UK money markets are awash with cheap cash and short and medium term investment rates are exceptionally low.

Treasury management strategy

- 3.3 A summary of the action taken in the six months to September 2013 is provided in Appendix 1 to this report. The main points are:
- § The council did not enter into any new borrowing arrangements during the period;
 - § The highest risk indicator during the period was 0.015% which is well below the maximum set of 0.05%;
 - § The return on investments by the in-house treasury team and cash manager has exceeded the target rate but the return achieved by the in-house team is well below the budget forecast due to the very low rates achievable in the current money markets. There is scope to improve returns slightly by investing for longer periods whilst keeping within the maximum risk indicator;
 - § The two borrowing limits approved by Budget Council in February 2013 have not been exceeded in the first half of the year.
- 3.4 Treasury management activity in the half-year has focused on a short-term horizon as summarised in the table below.

	Amount invested 1 April to 30 Sept 2013			
	Fixed deposits	Money market funds	Total	
Up to 1 week	£27.3m	£165.0m	£192.3m	55%
Between 1 week & 1 month	£28.0m	-	£28.0m	8%
Between 1 month & 3 months	£98.7m	-	£98.7m	28%
Over 3 months	£31.0m	-	£31.0m	9%
	£185.0m	£165.0m	£350.0m	100%

- 3.5 Security and liquidity of the investment portfolio continues to be the main objective for the council's investment strategy. It is however increasingly difficult to find suitable investment counterparties using the current investment list and changes are recommended in paragraphs 3.11 to 3.15. The average period for fixed deposits (i.e. excluding money market funds) was around 35 days.

Summary of treasury activity April to September 2013

- 3.6 The table below summarises the treasury activity in the half-year to September 2013 with the corresponding period in the previous year.

	Apr to Sep 12	Apr to Sep 13
Long-term borrowing repaid	-	-
Short-term borrowing repaid	-	-
Investments made	£348.4m	£350.0m
Investments maturing	(£308.6m)	(£311.0m)

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

	Apr to Sep 12	Apr to Sep 13
Cash flow surplus	£39.8m	£39.0m
Decrease in long-term borrowing	-	-
Decrease in short-term borrowing	-	-
Decrease / (increase) in investments	(£39.8m)	(£39.0m)

Security of investments

- 3.8 A summary of investments made by the in-house treasury team and outstanding as at 30 September 2013 is tabled below. The table shows that investments continue to be held in good quality, short-term instruments.

	Balance o/s 30 Sept 2013	
'AAA' rated funds	£26.9m	39%
'A' rated institutions	£26.4m	38%
'BBB' rated institutions	£16.0m	23%
	£69.3m	100%
Period – less than one week	£26.9m	39%
Period – between one week and one month	£15.7m	23%
Period – between one month and three months	£22.5m	32%
Period – more than three months	£4.2m	6%
	£69.3m	100%

- 3.9 The end of year report considered at the July meeting of Policy & Resources informed Members that the Coop Bank had been downgraded to below investment grade and that it had unveiled a rescue plan to deal with the £1.5bn hole in its balance sheet. Agreement with its bondholders has now almost been reached but this means that the hedge funds and the other bondholders will own about 70% of the bank. The bank has been removed from our lending list until their credit rating improves. In a review of its operations the Coop has recently written to all councils saying that it will no longer provide banking services to local authorities but will honour existing contracts. The council's banking contract with the Coop is due to end on 31 March 2015 and officers have already started to work up an options strategy to procure a new banking contract.

Risk

- 3.10 As part of the investment strategy for 2013/14 the Council agreed a maximum risk benchmark of 0.05%. The benchmark is a simple target that measures the risk based on the financial standing of counterparties and length of each investment based on historic default rates. The actual risk indicator has varied between 0.004% and 0.015% between April and September 2013. It should be remembered however that the benchmark is an average risk of default measure, and does not constitute an expectation of loss against a particular investment.

Performance

- 3.11 The following table summarises the performance on investments compared with the budgeted position and the benchmark rate. The council has recently joined a regional benchmark club to share investment strategies and performance on a confidential basis.

(*) Annualised rates	In-house investments		Cash manager investments	
	Average balance	Average rate (*)	Average balance	Average rate (*)
Budget 2013/14– full year	£52.9m	0.63%	£25.0m	0.75%
Actual to end Sept 2013	£90.2m	0.47%	£25.1m	0.53%
Benchmark rate (i.e. 7 day LIBID Rate) to end Sept 2013	-	0.36%	-	0.36%

Proposed Revision to Annual Investment Strategy 2013/14

- 3.12 The Annual Investment Strategy 2013/14 (AIS) was presented to full Council on 28th March 2013 and agreed.
- 3.13 The government's funding for lending scheme has amongst other initiatives significantly increased the amount of cash available in the UK money markets making it extremely hard to place cash investments with good quality counterparties and significantly reducing the rate of return. It is unlikely that this position will change in the medium term and has prompted a review of the current AIS by officers and our advisors.
- 3.14 Benchmarking with other council's with a similar sized investment portfolios has shown that the investment limits set by the council with the higher rated UK financial institutions (i.e. those with long term credit ratings of AAA, AA and A) are low and it is proposed that these are doubled from current levels. Given the added security of government support for the part nationalised banks it is proposed that their investment limits are raised slightly higher to £25m. The part nationalised banks are currently offering some of the best investment rates over the 6 months to 1 year period which to date the council has been able to take only limited advantage due to the restricted limits.
- 3.15 Our advisors have also suggested that our counterparty list should be enlarged to include a few Non-UK banks but only of the very high AA credit quality that are based in AAA rated countries. There are 5 banks that fall into this category who are active in the UK money markets:
- Toronto Dominion (Canada)
 - Nordea (Finland)
 - RABOBANK (Netherlands)
 - Commonwealth Bank of Australia
 - National Australia Bank
- 3.16 By adding these institutions to our list it should be possible to increase returns and reduce risk by investing in negotiable instruments (already authorised under the current AIS) such as Certificates of Deposit (CDs). Proposed changes to the AIS are set out in full in appendix 3.
- 3.17 It was announced by Lloyds Bank on 18 November the Scottish Widows Investment Partners (SWIP), our external cash managers, would be sold to Aberdeen Asset Management to create the biggest firm of investment managers in Europe. The sale is likely to take place in 3 or 4 months time and is unlikely to impact on the arrangements the council has currently in place with SWIP and has the potential to improve future returns given the influence the larger company will have on the markets.

4 EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 4.1 This report sets out action taken in the six months to September 2013 and proposed changes to the AIS. The changes to the AIS are designed to optimise flexibility in investment decisions and potentially improve investment returns whilst keeping within agreed risk parameters. An alternative would be to keep the AIS unchanged but this could lead to lower returns and higher risk.

5. CONSULTATION

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

6. CONCLUSION

- 6.1 Treasury management is governed by a code that is recognised as "best and proper practice" under the Local Government Act 2003. the Code requires a minimum of two reports per year, one of which looks at the first 6 months of the year. This report fulfils this requirement..

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The financial implications arising from the action taken under the TMPS are included in Financing Costs. The month 6 forecast for financing costs shows a contribution to the Financing Costs Reserve of £25,000 as a result of higher than anticipated net cashflows for the year which have been largely offset by lower investment returns achieved as a result of lower interest rates in the money markets. Without the proposed changes to the AIS investment returns are likely to fall in line with money market rates. The proposed changes should allow officers to achieve slightly higher returns whilst maintaining or even reducing current risk parameters.

Finance Officer Consulted: Mark Ireland

Date: 08/11/13

Legal Implications:

- 7.2 Action under the TMPS must be in accordance with Part I of the Local Government Act 2003 and associated regulations. Relevant guidance also needs to be taken into account.
- 7.3 Under the council's constitution approval of the Annual Investment Strategy, and of any revisions to it, is reserved to full Council. This requirement is reflected in recommendation 2.3 of this report.

Lawyer Consulted:

Oliver Dixon

Date: 21/11/13

Equalities, Sustainability and other implications:

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

SUPPORTING DOCUMENTATION

Appendices:

1. A summary of the action taken in the period April to September 2013
2. September 2013 Treasury Management Bulletin
3. Proposed changes to the Annual Investment Strategy

Documents In Members' Rooms

None

Background Documents

1. Part I of the Local Government Act 2003 and associated regulations
2. The Treasury Management Policy Statement and associated schedules 2013/14 approved by Policy & Resources on 21 March 2012
3. The Annual Investment Strategy 2013/14 approved by full Council on 28 March 2013
4. Treasury Management Policy Statement 2012/13 (including Annual Investment Strategy 2012/13) – End of year Review approved by Policy & Resources Committee on 11 July 2013.
5. Papers held within Strategic Finance, Finance & Resources Directorate
6. The Prudential Code for Capital Finance in Local Authorities published by CIPFA 2011

Summary of action taken in the period April to September 2013

Treasury Management Strategy

New long term borrowing

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

Debt maturity

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

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

Debt restructuring

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

Weighted average maturity profile

With no movement in the long-term debt portfolio the weighted average maturity period of the portfolio has decreased naturally by 6 months, from 32.3 years to 31.8 years.

Capital financing requirement

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

Table 1 – Capital financing requirement compared to debt outstanding

	1 April 2013	30 Sept 2013	Movement in period
Capital financing requirement (CFR)	£341.8m		
Less PFI element	-£59.5m		
Net CFR	£282.3m	^(*) £286.8m	-£4.5m
Long-term debt	£207.8m	£207.8m	-
O/s debt to CFR (%)	73.6%	72.5%	-1.1%

^(*) projected 31 March 2014

Traditionally the level of borrowing outstanding is at or near the maximum permitted in order to reduce the risk that demand for capital investment (and hence resources) falls in years when long-term interest rates are high (i.e. interest rate risk). However given the continued volatility and uncertainty within the financial markets, the council has maintained the strategy to keep borrowing at much lower levels (as investments are used to repay debt). Currently outstanding debt represents 72.5% of the capital financing requirement.

Cash flow debt / investments

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

movements.”

An analysis of the cash flows reveals a net surplus for the first six-months of £39.0m. The surplus has been used to increase investments (Table 2).

Table 2 – Cash flow April to September 2013

	Payments	Receipts	Net cash
Total for period	£444.6m	£483.6m	+£39.0m
Increase in investments			+£39.0m

Prudential indicators

Budget Council approved a series of prudential indicators for 2013/14 at its meeting in February 2013. Taken together the indicators demonstrate that the council’s capital investment plans are affordable, prudent and sustainable.

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

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

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

Table 3 – Comparison of outstanding debt with Authorised Limit and Operational Boundary 2013/14

	Authorised limit	Operational boundary
Indicator set	£371.0m	£360.0m
Less PFI element	-£60.0m	-£60.0m
Indicator less PFI element	£311.0m	£300.0m
Maximum amount o/s in first half of year	£207.8m	£207.8m
Variance	(*)£103.2m	£92.2m

(*) can not be less than zero

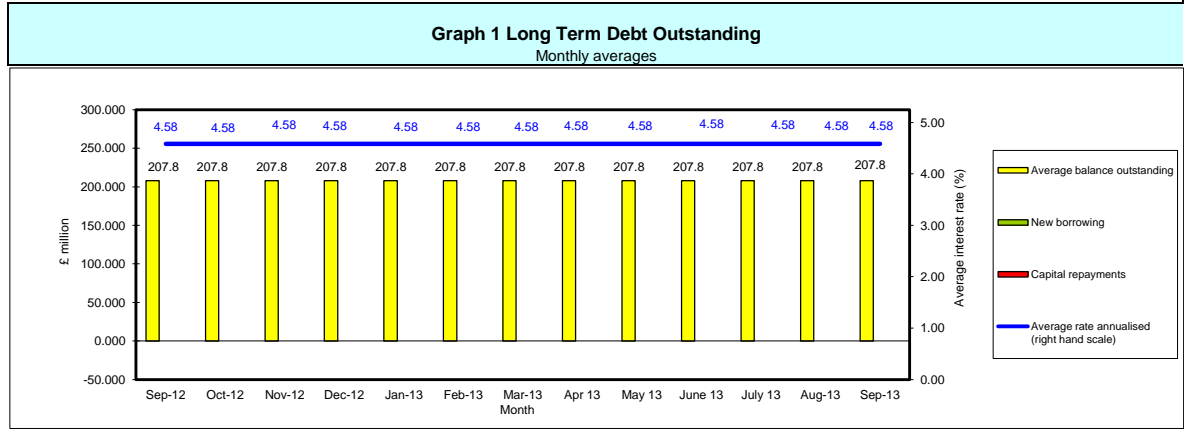
Performance

The series of charts in Appendix 2 provide a summary of the performance for both the debt and investment portfolios.

The graphs below show the monthly averages of borrowing and investments outstanding, monthly cashflows and the average monthly cost/return on debt/investments, over a thirteen month period.

Graph 1
This graph shows the average monthly balance outstanding on long term debt, together with the average cost.

It also shows the amount of new long term debt raised and the repayment of long term borrowing. There has not been any new or repayment of long term debt during the past twelve months

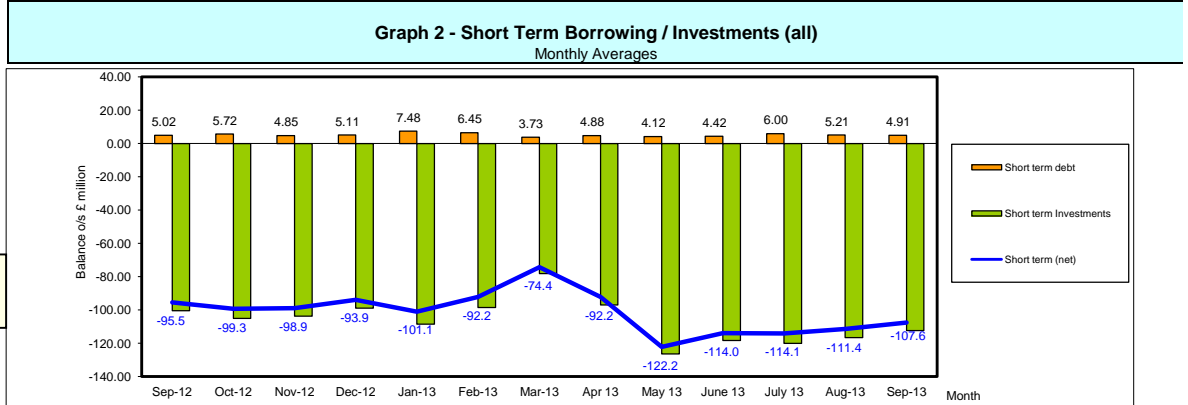


Graph 2
This graph shows the average monthly balance outstanding for:

- short term debt
- short term investments

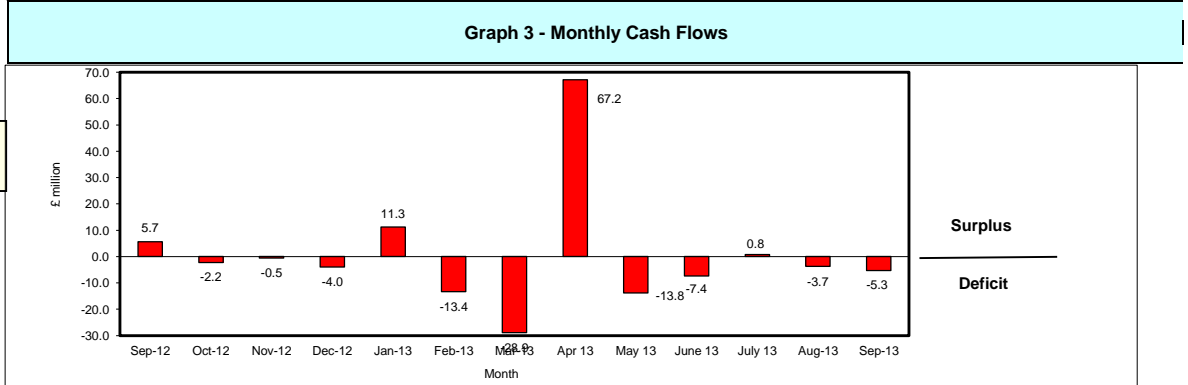
The graph also shows the net monthly cash position, excluding long term borrowing

Short term debt includes the monies held on behalf of South Downs National Park Authority.



Graph 3
This graph shows the net monthly cash flow position, excluding movement in borrowing and investments.

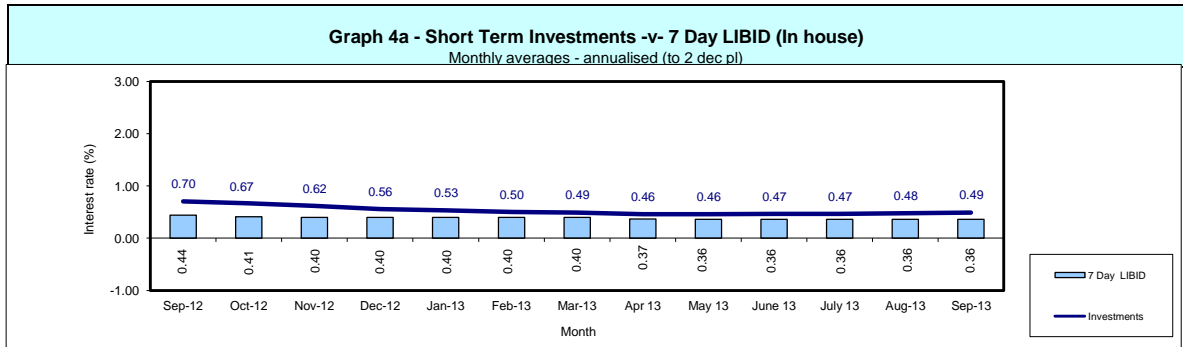
Cashflow movements have resulted in a deficit for the month



Graph 4a
This graph compares the average return on short term investments with the average 7 Day LIBID rate.

The target is for the return on short term investments to exceed the 7 Day rate by 5% in a 12 month period

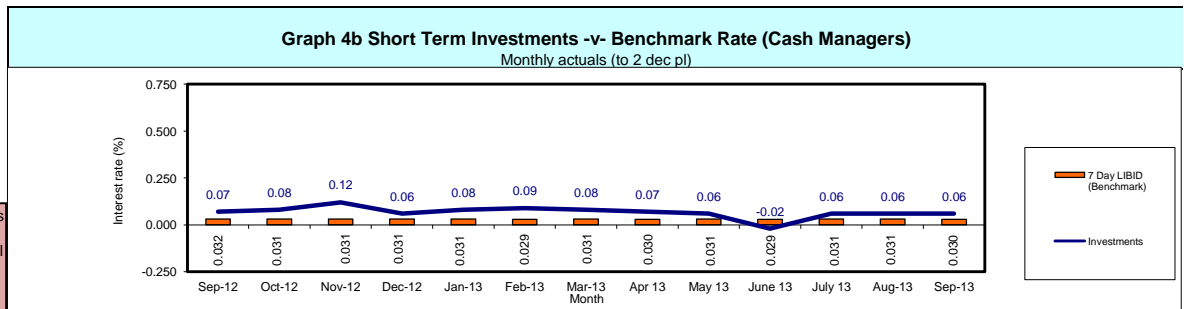
In house investments continue to meet the target rate of return.



Graph 4b
This graph compares the average return on the fund with a benchmark of 7 Day LIBID (compounded weekly).

The target is for the return on investment to exceed the benchmark rate by 5% in a 12 month period.

The cash manager performance fluctuates due to changes in the value of the investments. Performance has been equal to or above target levels in 11 of the past 12 months.



Investments by Sector

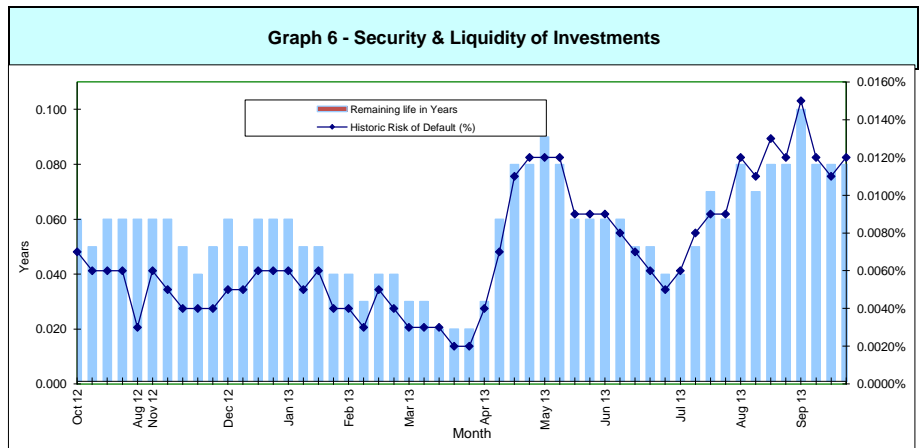
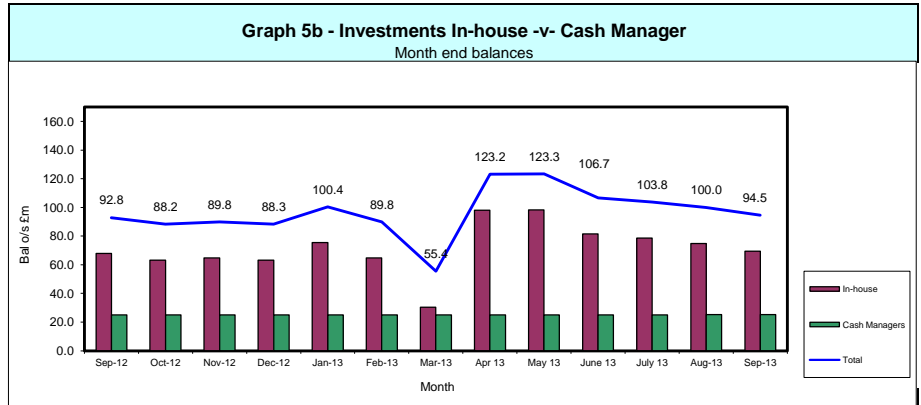
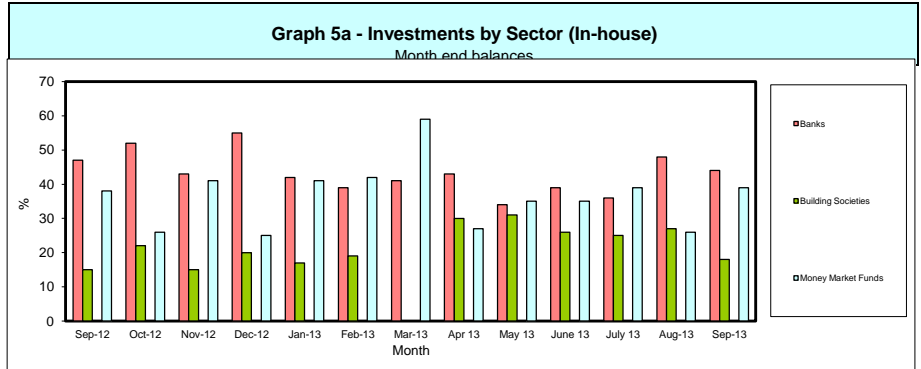
The 2013/14 Treasury Policy Statement states that with the exception of the banking sector and money market funds, no one sector shall have more than 75% of the investment portfolio at the time an investment is made. As at end of September 2013 investments were made as follows:-

	£m	
SWIP External Managers	25,165	
In-house Investments - Banks		
Barclays Bank	5,000	
Crown Agents Bank	1,000	
Lloyds Bank plc	10,000	
N M Rothschild & Sons Ltd	5,000	
Royal Bank of Scotland	4,186	
Santander UK plc	4,985	
	<u>30,171</u>	43.5 %
Money Market Funds		
CCLA - Public Sector Deposit Fund	1,405	
Goldman Sachs Funds Plc	0,586	
Ignis Liquidity Fund	9,670	
Morgan Stanley Sterling Liquidity Fund	9,958	
State Street services	0,201	
SWIP GLF	5,115	
	<u>26,935</u>	38.8 %

In-house Investments - Building Societies		
Nationwide Bldg Soc	2,250	
Skipton Bldg Soc	5,000	
Yorkshire Building Society	5,000	
	<u>12,250</u>	17.7 %
TOTAL - In-house Investments	69,356	100.0 %

Graph 6

Members agreed, as part of the 2013/14 Treasury Policy Statement, to set a maximum indicator for risk at 0.05%. Table 6 shows the risk factor to be well below the maximum set. Recent increases in the risk factor are due to lending for slightly longer periods with good quality counterparties to maintain investment returns as short-term rates in the market are falling.



Prudential Indicators (Treasury Management)

The Council sets each year a number of prudential indicators for treasury management. The following tables show that these indicators have not been exceeded in the month of September 2013.

Gross Outstanding Debt (£millions)		
	Debt	PFI
Authorised limit	321	60
Operational boundary	309	60
Minimum o/s	208	-
Maximum o/s	208	-

Net Outstanding Debt (£millions)		
	Debt	PFI
Minimum capital financing requirement	282	60
Maximum net debt o/s	113	-

Variable Rate Debt (%age)	
Maximum limit	40.0
Maximum amount o/s	0.0

(NB. The maximum limit for fixed rate debt is 100% and cannot therefore be breached.)

	Debt Maturity Profile (%ages)				
	<12 mths	1-2 yrs	2-5 yrs	5-10 yrs	≥10 yrs
Maximum limit	40.0	40.0	50.0	75.0	100.0
Minimum limit	0.0	0.0	0.0	0.0	40.0
Maximum o/s debt	0.0	1.9	3.4	8.0	86.7

BRIGHTON & HOVE CITY
COUNCIL

ANNUAL INVESTMENT
STRATEGY
2013/14

The Annual Investment Strategy 2013/14 was approved by full Council on 28th March 2013.

This version contains proposed changes (*in italics and shaded*) subject to approval by Policy & Resources on 5th December 2013 and by full Council on 12th December 2013

Brighton & Hove City Council
Annual Investment Strategy 2013/14

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

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

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

1.1 Capital security

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

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

1.2 Maximum permitted investment by sector

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

<u>Table 2 – Maximum permitted investment by sector</u>	
<u>Sector</u>	<u>%age of total investment portfolio at the time the investment made</u>
Banking sector	100%
Building society sector	75%
Local authority sector	100%
Money market funds / CCLA Public Sector Deposit Fund	100%
Debt Management Account Deposit Facility	50%
Maximum amount invested for	25% (excl funds administered by external

<u>Table 2 – Maximum permitted investment by sector</u>	
<u>Sector</u>	<u>%age of total investment portfolio at the time the investment made</u>
more than 1 year	cash manager)

1.3 Maximum permitted investment by counterparty

1.3.1 General

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

1.3.2 Rated counterparties

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

<u>Table 3 – Exposure limits and maximum periods per counterparty (with rating)</u>					
	<u>A rating of at least (lowest of Fitch (F) / Moody's (M) / Standard & Poor's (SP))</u>				
Short-term rating	F = F1+ M = P-1 SP = A-1+	F = F1+ M = P-1 SP = A-1+	F = F1+ M = P-1 SP = A-1+	F = F1 M = P-1 SP = A-1	F = F2 M = P-2 SP = A-2
Long-term rating	F = AA+ M = Aa1 SP = AA+	F = AA- M = Aa3 SP = AA-	F = A M = A2 SP = A	F = A M = A2 SP = A	F = BBB M = Baa SP = BBB
Exposure Limit	£20m	£20m	£10m	£10m	£5m
Maximum period – fixed deposits	3 years	2 years	1 year	1 year	6 months
Maximum period – negotiable instruments	5 years	5 years	1 year	1 year	6 months

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

The exceptions to table 3 are:

- Financial institutions that have received Government support (i.e. part nationalized banks) are deemed to have the highest rating irrespective of the actual rating assigned to them. The limits on the amount advanced and length of investment will be **£25 million** and 1 year respectively.

Where there is a significant or sudden deterioration in one or more of the other ratings (e.g. financial strength, support) allocated to a counterparty, the Director of Finance will undertake a review and, where necessary, suspend the counterparty from the council's approved lending list.

1.3.3 Non-rated counterparties

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

<u>Table 4 – Exposure limits and maximum periods per counterparty / fund</u> (with no rating)		
<u>Counterparty</u>	<u>Exposure Limit</u>	<u>Maximum period</u>
Local authority	£10 million	5 years
Non-rated building society with an asset base in excess of £5bn	£5 million	6 months
Debt Management Account Deposit Facility	Unlimited	6 months

1.3.4 Cash manager

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

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

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

1.4 Investment classification (regulatory)

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

<u>Table 6 – Investment classification</u>		
<u>Requirement</u>	<u>Specified</u>	<u>Non-specified</u>
Currency	Must be in Sterling	Any currency
Maturity period	Up to 12 months	Over 12 months

Credit worth	Counterparty with high credit rating or UK government or local authority	Other
--------------	--	-------

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

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

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

2 Approved methodology for changing limits and adding / removing counterparties

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

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

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

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

3 Full individual listings of counterparties and counterparty limits

For 2013/14, with the exception of the list of high quality AA rated Non-UK banks within AAA rated countries specified below, investment by the in-house treasury team will be restricted financial institutions incorporated within the UK and regulated by the Financial Services Authority.

The in-house treasury team are able to invest in the following Non-UK banks:

- Toronto Dominion (Canada)
- Nordea (Finland)
- RABOBANK (Netherlands)
- Commonwealth Bank of Australia
- National Australia Bank

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

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

4 Details of credit rating agencies' services

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

5 Permitted types of investment instrument

All investments must be denominated in Sterling.

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

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

6 Investment risk

6.1 Assessment of credit risk

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

6.2 Investment risk matrix

The benchmark risk factor for 2013/14 is recommended at 0.05%, the same as 2012/13. This benchmark is a simple target (not limit) to measure investment risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that the in-house treasury team will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported with supporting reasons in the mid year or end of year review.

6.3 Investment advisors

The council appoints treasury advisors through a regular competitive tendering process. One of the services provided by Sector is the provision of updated credit ratings and “watches” issued by the three rating agencies. In addition Sector are proactive in providing additional market information as set out in paragraph 6.1 above.

6.4 Investment training

The council’s advisors have a wide ranging programme of training giving council officers access to seminars and printed material. The council’s in-house treasury team is experienced in dealing with investments but where necessary further training and updates will be provided. Appropriate training will be made available to all Members who are involved in the treasury management decision-making process.

6.5 Investment of money borrowed in advance

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

Borrowing in advance will be made within the constraints set out in the treasury management strategy. The risks associated with such borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or end of year reviews.

6.6 Investment liquidity

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

7 Ethical investment statement

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

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

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

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

8 Glossary

Long-term – period in excess of 12 months

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

Non-specified investment – see Table 6 above

Short-term – period up to and including 12 months

Specified investment – see Table 6 above

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

Brighton & Hove City Council

Banks and Other Institutions
Annual Investment Strategy 2013/14
In-house Treasury Team

<u>Counterparty</u>	<u>Specified/ Non- specified</u> ¹	<u>Short-term</u> F = Fitch			<u>Long-term</u> F = Fitch			<u>Max amount</u>	<u>Max period – fixed deposits</u>
		M = Moody's	SP = Standard & Poor's		M = Moody's	SP = Standard & Poor's			
		F	M	SP	F	M	SP		
Bank of Scotland / Lloyds TSB Bank	Specified	F1	P-1	A-1	A	A2	A	£25m	1 year
Barclays Bank plc	Specified	F1	P-1	A-1	A	A2	A	£10m	1 year
Close Brothers	Specified	F1	P-2		A	A3		£5m	6 months
Clydesdale Bank	Specified	F1	P-2	A-2	A	Baa2	BBB+	£5m	6 months
Crown Agents Bank Ltd	Specified	F2			BBB+			£5m	6 months
HSBC Bank plc	Specified	F1+	P-1	A-1+	AA-	Aa3	AA-	£20m	2 years
National Westminster Bank / Royal Bank of Scotland	Specified	F1	P-2	A-2	A	A3	A-	£25m	1 year
NM Rothschild & Sons	Specified	F2			BBB+			£5m	6 months
Virgin Money plc	Specified	F3		A-2	BBB		BBB+	£5m	6 months
Santander UK plc	Specified	F1	P-1	A-1	A	A2	A	£10m	1 year
Schroders plc	Specified	F1		A-1	A+		A+	£10m	1 year
Standard Chartered Bank	Specified	F1+	P-1	A-1+	AA-	A1	AA-	£20m	2 years
<u>BUILDING SOCIETIES</u>									
<u>(+)</u>									
Coventry (3)	Specified	F1	P-2		A	A3		£5m	6 months
Leeds (5)	Specified	F2	P-2		A-1	A3		£5m	6 months
Nationwide (1)	Specified	F1	P-1	A-1	A	A2	A	£10m	1 year
Principality (6)	Specified	F2	NP		BBB+	Ba1		£5m	6 months
Skipton (4)	Specified	F3	NP		BBB-	Ba1		£5m	6 months
Yorkshire (2)	Specified	F2	P-2		BBB+	Baa2		£5m	6 months
<u>NON-UK BANKS</u>									
Toronto Dominion (Canada)	Specified	F1+	P-1	A-1+	AA-	Aa3	AA-	£20m	1 year
Nordea bank (Finland)	Specified	F1+	P-1	A-1+	AA-	Aa3	AA-	£20m	1 year
Rabobank Group (Netherlands)	Specified	F1+	P-1	A-1+	AA	Aa2	AA-	£20m	1 year
Commonwealth Bank of Australia	Specified	F1+	P-1	A-1+	AA-	Aa2	AA-	£20m	1 year
National Australia Bank Ltd	Specified	F1+	P-1	A-1+	AA-	Aa2	AA-	£20m	1 year
<u>OTHER</u>									
Other Local Authorities (per Authority)	Specified							£10m	5 year
Debt Management Acc Deposit Facility	Specified							Unltd.	6 months

Appendix 3

Enhanced Cash Funds (Per fund)	Specified							£10m	Liquid
Money market funds (per fund)	Specified							£10m	Liquid

(*) Ratings as advised by Sector November 2013

(+) UK Building Societies ranking based on Total Asset size – Source: Sector November 2013

¹ distinction is a requirement under the investment regulations

Some minor changes have been made to Counterparty Credit Limits and Maximum lending periods due changes in credit ratings since the last release, and to ensure consistency with the lending criteria set out in Table 5.

Document is Restricted

