





**Brighton & Hove
City Council**

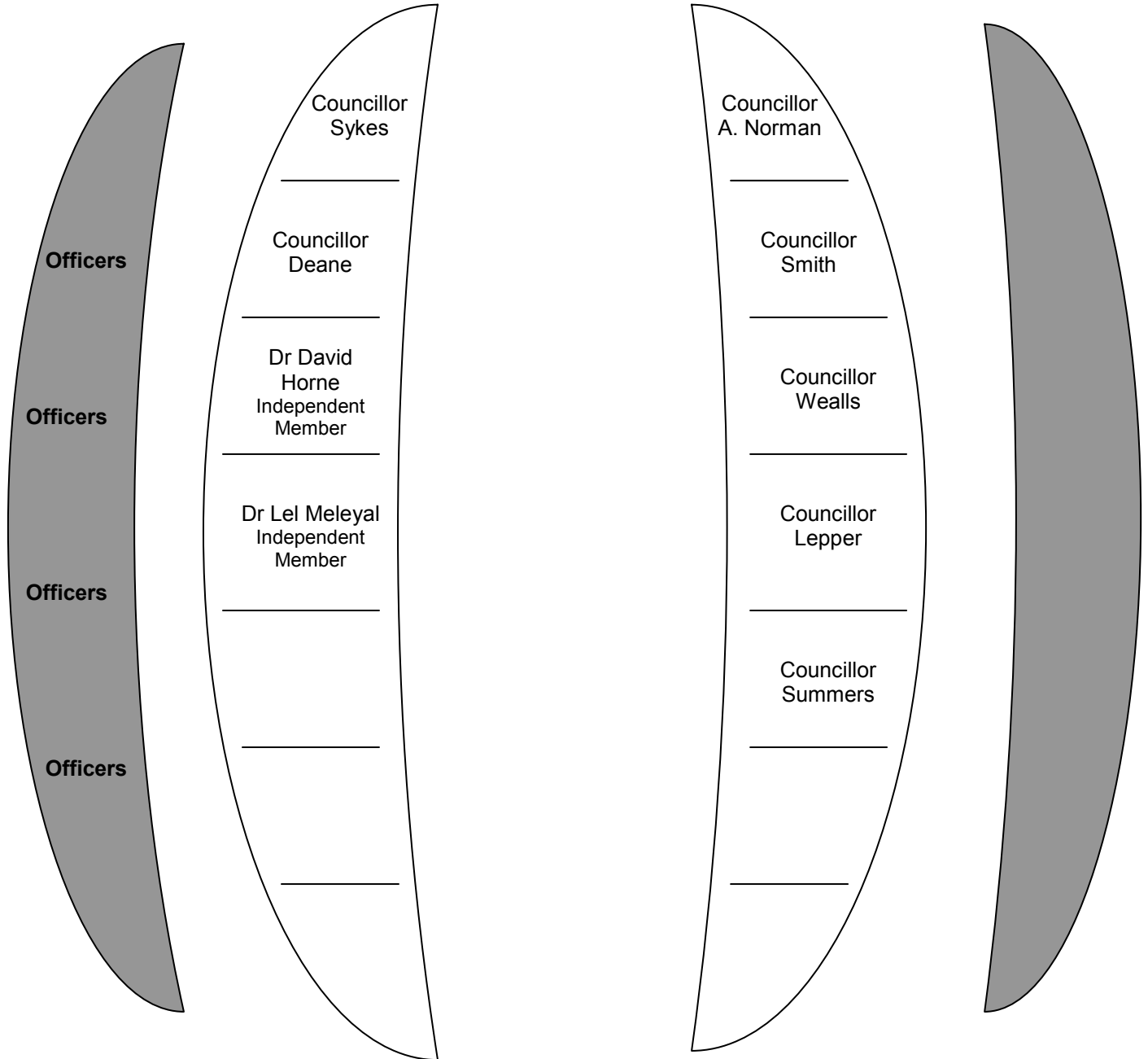
Audit & Standards Committee

Title:	Audit & Standards Committee
Date:	25 March 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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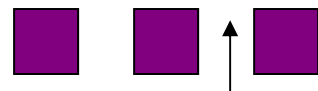
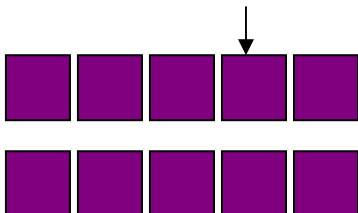
Democratic Services: Audit & Standards Committee

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



Press

AGENDA

73. 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.

74. MINUTES

1 - 10

To consider the minutes of the meeting held on 21 January 2014 (copy attached).

75. CHAIR'S COMMUNICATIONS

AUDIT & STANDARDS COMMITTEE

76. PUBLIC INVOLVEMENT

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

- (a) **Petitions:** to receive any petitions presented to the full council or at the meeting itself;
- (b) **Written Questions:** to receive any questions submitted by the due date of 12 noon on the (18 March 2014);
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the (18 March 2014).

77. 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.

JOINT ITEMS

78. REVIEW OF THE EFFECTIVENESS OF THE AUDIT & STANDARDS COMMITTEE - FINAL REPORT 11 - 28

Joint report of the Executive Director of Finance & Resources and the Head of Law & Monitoring (copy attached).

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

79. WHISTLEBLOWING POLICY 29 - 42

Joint report of the Executive Director of Finance & Resources and the Head of Law & Monitoring (copy attached).

Contact Officer: Liz Boswell *Tel:* 29 - 1307
Ward Affected: All Wards

STANDARDS ITEMS

80. MEMBER COMPLAINTS UPDATE 43 - 48

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

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

AUDIT & STANDARDS COMMITTEE

81. REVIEW OF CODE OF CONDUCT COMPLAINTS PROCEDURE 49 - 60

Report of the Head of Law & Monitoring Officer (copy attached).
(Appendix 2 to follow)

Contact Officer: Oliver Dixon *Tel:* 29-1512
Ward Affected: All Wards

AUDIT ITEMS

82. ERNST & YOUNG - 2013/14 AUDIT PLAN 61 - 84

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

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

83. ERNST & YOUNG - AUDIT PROGRESS REPORT AND SECTOR UPDATE 85 - 104

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

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

84. ERNST & YOUNG: HOUSING & COUNCIL TAX BENEFIT CLAIM CERTIFICATION - FINAL CONFIRMATION OF AUDIT FEE 105 - 108

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

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

85. PRESENTATION - ANNUAL GOVERNANCE STATEMENT 2013/14

Presentation from the Executive Director of Finance & Resources.

86. STRATEGIC RISK MAP FOCUS: SR15 KEEPING CHILDREN SAFE FROM HARM AND ABUSE; AND SR17 SCHOOL PLACES PLANNING 109 - 116

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

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

87. INTERNAL AUDIT PROGRESS REPORT 2013/14 117 - 124

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

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

AUDIT & STANDARDS COMMITTEE

88. INTERNAL AUDIT STRATEGY AND PLAN 2014/15 125 - 162

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

Contact Officer: Mark Dallen

Tel: 29- 1314

Ward Affected: All Wards

ITEMS REFERRED FOR INFORMATION

89. RISK MANAGEMENT STRATEGY 2014 - 2017 163 - 178

Extract from the proceedings of the Policy & Resources Committee meeting held on 20 March 2014 (to follow); together with a report of the Executive Director of Finance & Resources (copy attached).

Contact Officer: Jackie Algar

Tel: 29-1273

Ward Affected: All Wards

90. TARGETED BUDGET MANAGEMENT (TBM 9) 179 - 244

Extract from the proceedings of the Policy & Resources Committee meeting held on 13 February 2014; together with a report of the Executive Director of Finance & Resources (copies attached).

Contact Officer: Jeff Coates

Tel: 29-2364

Ward Affected: All Wards

91. ITEMS REFERRED FOR COUNCIL

To consider items to be submitted to the 27 March 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

92. PART TWO MINUTES 245 - 246

To consider the part two minutes of the meeting held on 21 January 2014 (circulated to Members only).

93. PRESENTATION: ANNUAL GOVERNANCE STATEMENT 2013/14 (EXEMPT ITEMS)

Presentation from the Executive Director of Finance & Resources.

AUDIT & STANDARDS COMMITTEE

94. 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.

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

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

Date of Publication - Monday, 17 March 2014

BRIGHTON & HOVE CITY COUNCIL**AUDIT & STANDARDS COMMITTEE****4.00pm 21 JANUARY 2014****COUNCIL CHAMBER, HOVE TOWN HALL****MINUTES**

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

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

PART ONE**56. PROCEDURAL BUSINESS****56a Declarations of substitutes**

56.1 There were none.

56b Declarations of interests

56.2 There were none

56c Exclusion of the press and public

56.3 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.

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

57. MINUTES

57.1 **RESOLVED** – That the Chair be authorised to sign the minutes of the meeting held on 19 November 2013 as a correct record.

58. CHAIR'S COMMUNICATIONS

58.1 There were none.

59. PUBLIC INVOLVEMENT

59.1 That Chair noted that one written question had been received from a Mr Roy Pennington, unfortunately Mr Pennington was unable to attend the meeting, but the Committee agreed to hear the response and have this formally recorded.

Mr Roy Pennington

“Given the public concerns on the secrecy surrounding the Standards Panel of 19 Dec 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?”

Response

“I was not present at the Panel hearing, but have made enquiries and been briefed on the situation.

Under schedule 12A of the Local Government Act 1972, a committee or sub-committee is entitled to go into closed session if the information being considered includes exempt information and if it thinks it is in the public interest to do so. The normal practice of the Standards Panel has been to hold its hearings in public. In this particular case, consideration was given to all the circumstances and, on balance, it was decided to hold the meeting in private.

There is no official requirement for decisions of the Panel to be unanimous. But, it has been the practice of standards panels to reach a decision by consensus where possible.

As you may be aware, one of the recommendations before this committee today, under agenda item 61, is the proposal to set up a cross-party Member working group to consider the procedure for dealing with Member complaints.

I refer you to paragraphs 3.9 and 3.10 of the report for item 61 from which you will see that the working group, which will include at least one Independent Person, will look at all aspects of the complaints process. This will include the issue of whether proceedings are held in open or closed session. In anticipation of the Committee agreeing the recommendations, the working group has already started its review.

It is proposed that the recommendations from the working group be referred to this committee for consideration at its meeting on 25th March, which, of course, you are welcome to attend.”

59.2 There were no other public questions, petitions or deputations.

60. MEMBER INVOLVEMENT

60.1 There were no matters from Members.

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

61.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the effectiveness of the Audit & Standards Committee; that sought to review the Committee after 18 months of operation. The report sought to prompt discussion of a range of issues to inform a final set of proposals to come before the Committee on 25 March 2014 and inform the 2014/15 workplan.

61.2 The Chair also added, by way of introduction, that the proposed working group, in the report, had already been set up informally and was to be chaired by Dr Horne. Following this Dr Horne added that both of the co-opted independent persons on the working group were able to bring experience from other sectors, and the working group would be able to draw on available resources to validate their work.

61.3 The Executive Director of Finance & Resources acknowledged the skills of the independent persons on the Committee, and welcomed the proactive agenda setting from the Committee in recent months as example of good practice for audit committees. It was added the working group would also be looking at the physical arrangements of the Committee and training for the Committee membership.

61.4 In response to Councillor Sykes the Head of Law clarification some of the wording in paragraph 3.8 of the report, and went on to add that the working group had been set up in advance of the report as it was believed it would be better to progress the work as soon as possible, but the formal status of the working group would need to be agreed by the full Committee as set out in the recommendation to the report. Councillor Sykes also noted that there was a greater scope for Group Spokespersons on the Committee to better champion and communicate with their political groups; as well supporting the role and work of the Monitoring Officer.

61.5 Councillor A. Norman noted that she been involved in Standards matters for some years and it was her view that the Panels had operated most effectively when they were chaired by an independent person who was best equipped to navigate the Members through the case. The Head of Law noted that there was no longer a legal requirement to have Panels independently chaired as there had been under the previous standards regime.

61.6 In response to Councillor Deane the Head of Law explained that the working group would be seeking to look at the procedure in relation to Standards Panels, not the specifics of individual cases; Dr Horne also added that the group would draw on different members' experiences of various Panels, but it would not be appropriate to go into specific incidences. Councillor Lepper stated that it was important to undertake this type of work regularly to ensure procedures were properly fit for purpose.

61.7 Councillor Wealls commended the proactive work of Officers and those on the working group to quickly progress the formation of the group, and asked for more information on the role of the Committee in relation to governance and ethics. In response the

Executive Director of Finance & Resources explained that those on the Committee had the capacity to act as champions of matters within its remit. The Committee had also been instrumental in bringing issues to the attention of Officers by challenging; asking questions and requesting reports.

- 61.8 Councillor Summers asked a series of questions and the Executive Director Finance & Resources responded that the term 'audit committee' could cover a wide range of other governance functions which were broader than simply internet audit. There was scope to consider the physical arrangements for the Committee and look at alternative layouts to better facilitate collaborative discussions. Where items were listed as Part 2 on agendas this had to meet with the necessary legislative requirements, but was also given full consideration as pre-meeting to ensure as much of the agenda as possible was published in Part 1.
- 61.9 Dr Horne referred to his questions relating to Risk Management sent to the Chair of the Committee which had been addressed prior to this meeting, and the Executive Director of Finance & Resources responded to Dr Horne's questions about risk management and explained that over recent months the Committee had taken a strong lead in challenging Officers in relation to risk; this was also aided further by the continuity of membership of the Committee who could follow the annual work cycle.
- 61.10 The Chair noted he felt the reporting of actions from audit recommendations to departments had improved following increased emphasis from the Committee.
- 61.11 Following a query from Councillor Summers the Head of Law stated he felt the current Standards arrangements were correct for the authority, and he valued the time and insight provided by the independent persons. He added that it would be his preference for the Committee to schedule some time its workplan to review Council policies in a similar function that had been undertaken by the previous Standards Committee.
- 61.12 In response to a final query from Councillor Summers both the Head of Law and the Executive Director explained that all Members could formally raise their concerns through the provision of Members' questions and notices of motion to Committees, and there would be an opportunity for the Committee to feed into the annual workplan when this was brought to the June meeting for approval.
- 61.13 **RESOLVED:**
- (1) That the themes identified in the member workshop and set out at 3.7 be noted and discussed.
 - (2) That a cross-party Member working Group be set up to consider the procedures for dealing with Member complaints.
 - (3) That a final report/s with recommendations on the above be brought to the Audit & Standards Committee on 25th March 2014.

62. COMPLAINTS UPDATE - JANUARY 2014

- 62.1 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 contained a summary of information about the number of complaints received in relation to services provided by the Council. The report also contained summary information about the number of complaints received about services the Council provided.
- 62.2 In response to Councillor Summers the Standards & Complaints Manager stated that figures in relation to Ombudsman complaints were nationally published; it was difficult to judge why the city received a high number of complaints, but it was important to note that only a small number of investigations found against the Council.
- 62.3 Councillor Wealls asked about any recommendations made by the Ombudsman where fault had been found, and the Executive Director of Finance & Resources suggested a report could be brought to a future meeting specifically looking at these kinds of feedback loops. In response to Councillor Sykes the Executive Director also added that the information brought to the Committee in relation to complaints could be reviewed.
- 62.4 **RESOLVED:** That the Committee note the report.

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

- 63.1 The Committee considered a report of the External Auditors, Ernst & Young, in relation to the annual certification report; the certification work provided assurance to Government departments and grant paying bodies that claims for grants and subsidies were made properly, and that information in financial returns was reliable.
- 63.2 In response to Councillor Sykes the Executive Director of Finance & Resources explained that amount of grant from the government for administering Housing and Council Tax benefit subsidy was exceeded by the actual cost of administering the system. This was often a national trend and there had been some conversations with other local authorities in relation to further lobbying on the matter.
- 63.3 **RESOLVED:** That the 2012/13 annual certification report be noted.

64. ERNST & YOUNG: PROGRESS REPORT 2013/14

- 64.1 The Committee considered a report of the External Auditors, Ernst & Young, in relation to the 2013/14 progress report; the report asked the Committee to consider the progress made against the 2013/14 audit.
- 64.2 In response to a query from Councillor Wealls the External Auditors explained that the contract with Ernst & Young would run until the end of the 2016/17 financial year; in line with the national changes following the abolition of the Audit Commission.
- 64.3 **RESOLVED:** That the Committee note the report.

65. INTERNAL AUDIT PROGRESS REPORT

- 65.1 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 Progress Plan 2013/14 – including the outcomes of specific reviews completed and the tracking of the implementation of recommendations.
- 65.2 In response to the Chair the Principal Audit Manager explained there was now a specific protocol that where limited assurance had been reported there would be another follow up review – normally within 6 months. He added that with recent reports it would not be expected to see high priority recommendations as these would normally have limited assurance.
- 65.3 In relation to a question from Councillor Sykes the Principal Audit Manager explained that the annual internal audit work was planned through calculations of risk within the organisation; as well as in consultation with the departmental management team and consideration of the Strategic Risk Register. There was also consideration of emerging issues, and the annual plan was brought before the Committee for consideration and comment. Following a further comment the Executive Director of Finance & Resources explained that it was within the remit of the Committee to request that senior Officers attend to give assurance where it was considered this was appropriate; there was also a role for the Principal Audit Manager to bring matters before the Committee.
- 65.4 In response to Councillor A. Norman the External Auditors: Ernst & Young explained that they hoped to bring a report to the next Committee to assist in contextualising the work of the Corporate Fraud Team. The Executive Director of Finance & Resources added that there was a piece of national work being undertaken by the Audit Commission on benchmarking; this would help to ensure the Council was directing its resources in the right places to address fraud.
- 65.5 Councillor Summers asked about the completion of the audit plan, and the Executive Director of Finance & Resources explained that every year a proportion of the annual work had to be completed at the end of the finance year. She added that the highest priority work would always be undertaken first, and that it was expected more time would be built in for unplanned audit work in the 2014/15 plan.
- 65.6 In response to Councillor Deane the Principal Audit Manager explained that he would not normally expect to see full assurance based on the nature of the sampling techniques and controls used for auditing purposes, but it hoped the number of limited assurances could be reduced to achieve a balance between substantial and reasonable. The Executive Director of Finance & Resources added that it was always vital to create a balance between managing the risk and the costs of the controls.
- 65.7 The Head of Law provided an update in relation to the gifts and hospitality register stating that new measures had been taken to the Executive Leadership Team which placed responsibility for this with the Monitoring Officer – with support from HR, and an annual return would be completed by both Officers on the Executive Leadership Team and the Corporate Leadership Team.

65.8 **RESOLVED:** That the Committee notes the progress made in delivering the Annual Internal Audit Plan 2013/14.

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

66.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Annual Governance Statement 2012/13 – Action Plan Progress Update. The action plan included suggested improvements to the Council's governance framework, and the report provided an update on the progress of the implemented actions.

66.2 In response to Dr Horne the Executive Director of Finance & Resources explained that the Committee had not usually received an interim report; however, it was important that the Committee be able to feed into this, and consideration would be given to the most appropriate way to do this for the next meeting.

66.3 The Executive Director of Finance & Resources responded to questions from Councillor Summers explaining that work was being undertaken to look at internal communications and the staff intranet with a view to making this easier to navigate and information more accessible. Work was ongoing in relation to the Code of Connections and some new ways of working were due to be tested by agreed Members. A different approach had been taken this year in relation to budget scrutiny which had enabled it to be more streamlined; however, time constraints meant that it was not possible to report budget proposals to the relevant policy committee before consideration at the Budget Policy & Resources Committee and Budget Council

66.4 **RESOLVED:** That the Committee note the report.

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

67.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Strategic Risk MAP Focus: SR16 wider modernisation of social care; and SR13 keeping vulnerable adults safe from harm. The Committee had a role to monitor the effectiveness of risk management and internal control by oversight of the Strategic Risk Register and a Risk Management Action Plan 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 received attention. The Risk Owner responsible for both would be the Executive Director of Adult Services.

67.2 The Executive Director of Adult Services introduced SR13: keeping vulnerable adults safe from harm and explained that the Council had a statutory duty to undertake this function which was due to become a legal requirement in the Care Bill. The Council had to lead and coordinate safeguarding in the city, and it was believed that the number of alerts going to investigation had increased from approximately 16.5 to 20 in the last annual report. The Safeguarding Board was currently chaired by the Executive Director of Adult Services, but there was currently some work being undertaken to review the

Board and consider appointing an independent chair. It was noted that in relation to reorganisation in the NHS there had been some interim arrangements to ensure clinical investigations were undertaken in a timely manner. Training and awareness were key to minimising risk, and training was available to all sector providers of care. The Safeguarding Board as well attended by the statutory partners in the city, and there was a strong audit of the safeguarding work.

- 67.3 In response to Councillor Summers the Executive Director of Adult Services clarified that the responsibility for the clinical escalations sat with the Clinical Commissioning Group (CCG); which was different from the work of social workers. It was also clarified that the level of mandatory training would depend on the role of the individual in question.
- 67.4 Dr Horne asked about the impact of service redesign and voluntary severance on the work of the professional social work staff, and the Executive Director of Adults Services explained that these roles had been protected as part of the service redesign.
- 67.5 The Executive Director of Adults Services introduced SR16: wider modernisation of social care and explained that work was well underway in relation to managing the changes from the Care Bill. The Council was also looking very carefully at the changes from the Better Care Fund and this linked in with integrated ways of working. The CCG would be responsible for Better Care Fund plans, and there would be a Better Care Fund Programme Board involving all of the lead officers from statutory service providers. Alongside this there was the work of the Modernisation Board and the two boards would need to work together from 2015/16 and beyond. Recently a joint post with the CCG for the Better Care Fund has been recruited to, and there was joint work being undertaken with the Executive Director of Finance & Resources in relation to the wider impact of these services, and to look at mutual support.
- 67.6 The Executive Director of Finance & Resources noted that this risk had recently been added to the register, but it presented an example where risk and opportunity were two sides of the same coin. The work would seek to provide better outcomes for patients, but the scale of the challenge created financial risks during the implementation.
- 67.7 In response to the Chair it was confirmed by the Executive Director of Adult Services that the Better Care Fund would provide approximately £10M of funding for the local health economy, but this would mean broad changes to the current working systems. Some of the wording in relation to performance linked funds had softened. There was some real scope for improvements in some areas; however, it was noted that in others the good quality of existing service would make achieving the targets more difficult.
- 67.8 In response to Council Wealls the Executive Director for Finance & Resources agreed that Officers would look at further training and workshops for Members in relation to the risk management aspects of the Committee's remit; in particular matters in relation to the Care ill and Better Care Fund.
- 67.9 In response to Councillor Summers the Executive Director explained that one of the requirements of better care was to offer '7 day per week' services, and this meant a whole series of significant changes to current working practices.

67.10 **RESOLVED:** That the Committee note the information.

68. TARGETED BUDGET MANAGEMENT (TBM 7)

68.1 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.

68.2 The Chair asked about the previously reported overspend in the budget and the Executive Director of Finance & Resources explained that this was reducing.

68.3 **RESOLVED:** That the Committee note the report referred from the Policy & Resources Committee.

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

69.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Treasury Management Policy Statement 2013/14 – Mid Year Review. The policy statement set out the key role for treasury management; and the practices and schedules set out the annual targets for treasury management and the methods by which these targets would be met.

69.2 In response to a query from Councillor Wealls the Executive Director of Finance & Resources noted that Rabobank had been automatically removed as it no longer met the criteria due to the credit rating of the Netherlands.

69.3 **RESOLVED:** That the Committee note the report referred by the Policy & Resources Committee and the Council.

70. ITEMS REFERRED FOR COUNCIL

70.1 There were no items referred to Council.

71. INTERNAL AUDIT PROGRESS REPORT - EXEMPT CATEGORY 3

71.1 That the Committee note the information contained in the Part 2 appendix.

72. PART TWO PROCEEDINGS

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

The meeting concluded at 6.59pm

Signed

Chair

Dated this

day of

Subject:	Review of the Effectiveness of the Audit & Standards Committee	
Date of Meeting:	25th March 2014	
Report of:	Executive Director, Finance & Resources and Monitoring Officer	
Contact Officer:	Catherine Vaughan	
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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. At its meeting on 21 January 2014 this committee received a report on the review of the Effectiveness of the Audit & Standards Committee. The feedback from that meeting and an additional assessment against new CIPFA guidance has been considered.
- 1.2 This report concludes the review and recommends actions.

2. RECOMMENDATIONS:

- 2.1 To note the findings of the Review of Effectiveness of the Audit & Standards Committee.
- 2.2 To agree the recommendations as set out in paragraph 3.11.

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 The terms of reference as set out in the Council's constitution are included at Appendix 1.
- 3.4 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.
- 3.5 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.
- 3.6 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 seem to be working well and it is not recommended that this be changed.
- 3.7 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.
- 3.8 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;

3.9 Those issues were discussed at the last Audit & Standards Committee meeting and members appeared to be in broad agreement although it was clear that continuing to meet in Hove Town Hall Council Chamber was strongly supported for openness reasons but that the room layout could be reconsidered. Members also talked about the personal role they can play in championing governance and ethics within their groups.

3.10 A further desktop self-assessment has been undertaken against the new CIPFA guidance for local authorities on Audit Committees. This is shown at Appendix 2, there is some overlap with the workshop findings including in relation to member training. There is some additional work recommended to consider the role the committee could play in relation to ensuring the council has adequate arrangements to ensure value for money and also a challenge about how the committee is held to account for its performance.

3.11 The recommended actions arising from this review are:

- set out in Appendix 2; and
- to ensure adequate coverage of the themes and issues identified in 3.8 when the committee's workplan for 2014/15 is agreed;

- for individual members to consider how they can best champion and influence governance and ethics outside of the formal committee meetings.

3.12 Following a recent Standards Panel hearing, the Committee at its last meeting agreed to endorse a cross-party Member working group, including at least one independent person, to review the current procedure for dealing with alleged breaches of the Members' code of conduct, and to report back to this committee. That report is elsewhere on this agenda.

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..

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 None undertaken.

6. CONCLUSION

6.1 The report concludes that the Council has an effective Audit & Standards Committee and recommends actions to ensure continuous improvement.

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: 13/3/2014

Legal Implications:

7.2 Any proposals stemming from the Review of Effectiveness that affect the terms of reference of the Audit & Standards Committee or which are 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: Oliver Dixon

Date: 14/03/14

Equalities Implications:

7.3 None identified

Sustainability Implications:

7.4 None identified

Any Other Significant Implications:

7.5 None identified

SUPPORTING DOCUMENTATION

Appendices

1. Terms of reference for Audit & Standards Committee
2. Self-Assessment against CIPFA checklist

Background Documents

1. NAO Audit Committee Self Assessment Checklist
2. Audit Committees – Practical Guidance for Local Authorities and Police (CIPFA 2013)

Appendix 1

Extract from the Council's Constitution – Terms of Reference of the Audit & Standards Committee

Explanatory Note

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.

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.

In addition to the Councillors who serve on the Audit and Standards Committee, the Committee includes at least 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 powers.

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.

General Audit and Standards Delegated Functions

To review such parts of the constitution as may be referred to the Committee

by the Policy and Resources Committee and to make recommendations to the Policy Resources Committee and the Council.

To appoint, co-opt or (in any case where only the Council has power) to recommend the appointment or co-option of a minimum of two independent persons:

- to give general assistance to the Committee in the exercise of its functions; and
- to give views on allegations of failure to comply with a Code of Conduct as required by Chapter 7 of the Localism Act.

To have an overview of:

- the Council's whistleblowing policy
- complaints handling and Local Ombudsman investigations

To deal with any audit or ethical standards issues which may arise in relation to partnership working, joint committees and other local authorities or bodies.

To ensure arrangements are made for the training and development of Members, Co-opted Members and Officers on audit, ethical and probity matters, including Code of Conduct issues.

To support and advise the Chief Finance Officer and the Monitoring Officer in their statutory roles.

Delegated Audit Functions

To carry out independent scrutiny and examination of the Council's financial and non-financial processes, procedures and practices to the extent that they affect the Council's control environment and exposure to risk, with a view to providing assurance on the adequacy and effectiveness of:

- the work of internal and external audit;
- the governance arrangements of the council and its services;
- the risk management and performance management frameworks and
- the associated control environment;
- the financial management process;

- arrangements for the prevention and detection of fraud and corruption

To meet the requirements of the Accounts and Audit Regulations Act 2011 in respect of:

- conducting an annual review of the effectiveness of the system of internal control;
- conducting an annual review of the effectiveness of internal audit;
- reviewing the outcome of annual review of governance arrangements and approving the Annual Governance Statement, ensuring it contains any actions for improvement; and
- considering and approving the Council's annual Statement of Accounts.

To consider the External Auditor's Annual Audit and Inspection Plan, Annual Governance Report, Annual Audit Letter and other relevant reports. Consider and agree the Internal Strategy and Annual Audit Plan, Head of Audit & Business Risk's Annual Internal Audit Report including Opinion, periodic progress reports and other relevant internal audit reports.

To consider and agree the Head of Audit & Business Risk's Annual Fraud & Corruption Report and consider and approve the Council's Counter Fraud Strategy.

Delegated Standards Functions

To advise the Council on the adoption, revision or replacement of Codes of Conduct for (a) Members and Co-opted Members and (b) Officers; To exercise all other functions of the Council in relation to ethical standards, in particular those under Chapter 7 of the Localism Act, including the following:

- promoting and maintaining high standards of conduct within the Council and monitoring the operations of the Council's Codes of Conduct and registers of interests;
- in relation to allegations that a Member or Co-opted Member has failed to comply with the Code of Conduct, putting in place arrangements to investigate and make decisions;
- supporting the Monitoring Officer in the exercise of that Officer's ethical standards functions, in particular the duty to establish &

maintain registers of interests for the Council and for Rottingdean Parish Council;

- in relation to Members or Co-opted Members with pecuniary interests, putting in place arrangements to grant dispensations, in appropriate cases, from the restrictions on speaking and/or voting.

NOTE: With the exception of the adoption, revision or replacement of the Codes of Conduct referred to above, the Audit and Standards Committee may develop and adopt its own procedures and protocols.

Appendix 2

CIPFA Self Assessment of Good Practice

Good practice questions	Yes	Partly	No	Comments	Recommended action
Audit Committee purpose and governance					
1. Does the authority have a dedicated audit committee?		*		There is a combined Audit & Standards committee. This has been carefully considered as part of the council's constitutional arrangements and is considered to be the most appropriate and effective approach. Sufficient attention is able to be given to audit matters.	None
2. Does the audit committee report directly to full council?	*			Yes	N/A
3. Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's position statement?	*			The terms of reference are consistent with CIPFA's position statement although not exactly the same language is used.	None

4. Is the role and purpose of the audit committee understood and accepted across the authority?	*			The audit committee has a positive profile and is well respected and valued	N/A
5. Does the audit committee provide support to the authority in meeting the requirements of good governance?	*			Yes	N/A
6. Are the arrangements to hold the committee to account for its performance operating satisfactorily?		*		There is an annual report to Full Council however we will review whether this is sufficient.	<p>Review approach to assessing satisfactory performance by the committee</p> <p>Target date: 30 September 2014 Person responsible: Head of Law and Monitoring Officer</p>

<p>7. Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position statement:</p> <ul style="list-style-type: none"> • good governance • assurance framework • internal audit • external audit • financial reporting • risk management • value for money or best value • counter-fraud and corruption 		*		<p>See terms of reference in Appendix 1, value for money or best value is not explicitly referenced although the External Auditor's opinion on the matter is considered. There is a risk of overlap with the responsibilities of Policy & Resources Committee which would need to be carefully considered.</p>	<p>Review committee's approach to value for money</p> <p>Target date: 30 September 2014 Person responsible: Executive Director, Finance & Resources</p>
<p>8. Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?</p>	*			<p>Yes, this is part of that process</p>	<p>N/A</p>
<p>9. Has the audit committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the committee to undertake them?</p>	*			<p>The remit includes Standards and as part of this, ethical values and Treasury Management Scrutiny</p>	<p>N/A</p>

10. Where coverage of core areas has been found to be limited, are plans in place to address this?	*			See action above in relation to value for money. Also main report stresses need for increased focus on counter-fraud and corruption.	N/A
11. Has the committee maintained its non-advisory role by not taking on any decision making powers that are not in line with its core purpose?	*			Yes	N/A
Membership and support					

<p>12. Has an effective audit committee structure and composition of the committee been selected? This should include:</p> <ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • where independent members are used that they have been appointed using an appropriate process 	*			<p>The composition has been carefully considered in the light of the council's committee system to ensure as much separation as possible from the executive while retaining the need for appropriate skills mix and political proportionality. The two independent members were recruited through a formal process to provide additional skills to the committee.</p>	None
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13. Does the chair of the committee have appropriate knowledge and skills?	*			There is an experienced chair who seeks and receives appropriate support and advice where needed. We will identify whether there is any more specialist training that may be of particular benefit to the unique role of the Chair.	Annual review of Chair's training needs. Target date: 30 June 2014 Person responsible: Chair, in conjunction with Head of Law & Monitoring Officer
14. Are arrangements in place to support the committee with briefings and training?	*			There is an induction programme, specific training on financial statements, briefings as part of committee meeting sessions and other workshops as needed.	Annual review of committee's training needs. Target date: 30 June 2014 Person responsible: Head of Law & Monitoring Officer

15. Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		*		A desktop review suggests that it is satisfactory overall however feedback from individuals is required.	Annual review of individual's training needs. Target date: 30 June 2014 Person responsible: Head of Law & Monitoring Officer
16. Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer.	*			Yes	N/A
17. Is an adequate secretariat and administrative support to the committee provided?	*			Yes	N/A
Effectiveness of the committee					
18. Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	*			Discussed at member workshop in December.	N/A

19. Has the committee evaluated whether and how it is adding value to the organisation?	*			Discussed at member workshop in December.	N/A
20. Does the committee have an action plan to improve any areas of weakness.	*			Yes.	N/A

Subject:	Whistleblowing Policy		
Date of Meeting:	25 March 2014		
Report of:	Executive Director Finance & Resources and Monitoring Officer		
Contact Officer:	Name:	Sue Moorman	Tel: 29-3629
	Email:	Sue.moorman@brighton-hove.gov.uk	
Ward(s) affected:	All		

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

- 1.1 At its meeting on 24 September 2013, the Committee considered a report detailing the council's existing whistleblowing arrangements and the work that was being carried out to review these in order to ensure they remained fit for purpose. It was agreed that a further report updating members on that work would be brought back to the Committee in March 2014.
- 1.2 The purpose of this report is to brief members of the Committee on the findings of that review and the proposals for ensuring that its whistleblowing arrangements remain effective and robust.

2. RECOMMENDATIONS:

- 2.1 That the Committee –
 - (i) note the findings of the recent review of the council's Whistleblowing Policy, as set out in paragraphs 3.5-3.11; and
 - (ii) note the proposed actions, set out at paragraph 3.12, intended to improve the effectiveness of that Policy.
 - (iii) Agree the slight amendments to the policy as shown in the tracking in Appendix 1

3. CONTEXT/BACKGROUND INFORMATION:**Background**

- 3.1 The council recognises that its employees and others who work in close association with it such as agency workers and contractors are well positioned to know when something wrong is taking place within the organisation or is giving serious cause for concern. It is important, therefore, that individuals who may have genuine concerns about any aspect of the

council's work, even if they are only suspicions, feel able to come forward and voice them so they can be investigated. This is vital if the council is to achieve and maintain the highest standards of openness, probity and accountability.

- 3.2 However, the council recognises that it may be difficult for employees to "whistleblow". For example, they may feel it is none of their business, they do not have sufficient proof to back up their claims or they may think they are being disloyal to colleagues, their managers or the council. They may also be worried that they may put their job at risk or render themselves liable to some other form of victimisation, discrimination or retribution for having raised concerns.
- 3.3 It is for these reasons that the council's Whistleblowing Policy aims to encourage employees and others who work on council premises to raise genuine concerns of alleged malpractice by reassuring them that they will be protected from reprisals or victimisation for having done so. The policy has been regularly reviewed to ensure that it not only continues to meet legislative requirements but also provides an effective mechanism for individuals to raise concerns. Nonetheless, the number of whistleblowing cases reported historically has been low – in single figures.
- 3.4 Whilst it is not uncommon for local authorities to have low numbers of whistleblowing cases reported, it is important that the council is not complacent and can be confident that these figures accurately reflect the "health" of the organisation and are not artificially low because staff are failing to report concerns due to a lack of awareness of the policy and the process to be followed. Although there was no evidence to suggest that the council's whistleblowing arrangements were not effective and robust, it was decided to carry out a review to ensure they remained fit for purpose. An important part of the review was to assess how familiar staff were with the council's whistleblowing arrangements and to see whether there were any barriers that may potentially prevent staff from raising concerns. The review's findings are summarised below.

The Policy

- 3.5 Research found that the council's Whistleblowing Policy is similar to the ones adopted by a number of other local authorities and public bodies such as the Information Commissioner's Office. It complies with current legislative requirements and is considered to be sound. However, whilst the term "whistleblowing" is likely to be understood by many of our employees, there is a concern that there may be some groups who may be less clear about what it means and the purpose of the Policy. It is therefore proposed to provide a subtitle to be used under the "whistleblowing Policy" title to say "(Raising Concerns in the Public Interest.)"
- 3.6 When it comes to raising concerns, employees are normally expected to approach their immediate line manager. However if, for whatever reason, the individual does not feel comfortable doing so, then they may contact a senior manager such as their Head of Service, the Head of Human Resources & Organisational Development, the Head of Internal Audit or the Head of Law.

The Chief Executive can also be approached if the individual feels the matter is so serious that they cannot discuss it with any other officer. Although employees who do not feel able to raise their concerns with their line manager have the option of approaching a senior manager, the prospect of having to contact someone they do not know well, or indeed do not know at all, could be daunting given the likely sensitivity of whistleblowing issues. Lower-graded staff may find this particularly difficult.

- 3.7 Staff may also feel uncomfortable about doing this during the working day or using email in case it is read by someone other than the intended recipient. For example, by administrative support staff who have delegated access to senior managers' email accounts. In order to overcome this potential barrier, some local authorities have introduced a dedicated and confidential e-mail address box or phone line that individuals can use if they feel unable to raise their concerns directly with an appropriate level of management.

Communication of the Policy to Staff

- 3.8 The Whistleblowing Policy is communicated to staff in the following ways:

- a brief summary of the Policy is included in the council's Employee Handbook which is issued to all staff on appointment
- reference to the Policy is also included in the Code of Conduct for Employees – a full copy of which is also included in the Employee Handbook
- the Policy is referred to in the council's "Policies & Procedures" e-learning module which forms part of the "Foundation Learning Programme". This programme, comprising 12 modules, is designed to be completed by all new staff and existing employees who have changed job roles. All staff are expected to do a refresher every 3 years.
- the Policy together with guidance for staff and managers and a form on which concerns can be raised is available to staff on the council's intranet, The Wave.

- 3.9 Although the Whistleblowing Policy is widely publicised to staff, this year's Staff Survey results showed that only 62% of the 2532 staff who responded said they were aware of the council's whistleblowing arrangements. 49% of the council's workforce responded to the survey. The level of awareness was particularly low in some service areas. Services in which the awareness level was 10% or more below the average figure for the council as a whole included City Parks, Housing, Libraries, Life Events, ICT, Property & Design, Royal Pavilion, Communications and Museums & Culture. New recruits (i.e. individuals with less than one year's service with the council), employees who were employed on temporary contracts and those who were likely to be less well integrated within teams such as casual and agency workers also tended to be much less familiar with the Policy. It was also concerning to find that even employees with longer service (up to 5 years) but who had changed teams since they originally joined the council had similarly low levels of awareness of our whistleblowing arrangements.

- 3.10 These findings tend to point towards shortcomings in the staff induction process not just at the point employees join the council but also when they take up different roles within new teams. Indeed, this conclusion is supported by the data relating to the completion of the Foundation Learning Programme (the council's corporate induction e-learning modules) by new recruits.
- 3.11 During the period 1 January to 31 December 2013 only 140 out of a total of 382 new recruits (36.6%) completed the module relating to key HR policies and procedures which also covers whistleblowing. This is concerning as robust induction is not only important for all new entrants but is particularly critical for those who work more remotely and/or do not have access to key information on the Wave.

Outcomes of the review

- 3.12 Following the review, it is considered that a number of actions are necessary to improve the overall effectiveness of the council's existing whistleblowing arrangements. It is therefore proposed to:
- Include references to the Council's Corporate Values in the Whistleblowing Policy. The values underpin the behaviour expected of Members and Officers and has already been incorporated in corporate policies and guidance.
 - Retain the name of the existing policy as "Whistleblowing Policy" but include a sub-title with the words: "Raising Concerns in the Public Interest." It is hoped that this will better convey the purpose of the policy and when and how it should be used.
 - make it easier for staff to "whistleblow" by including flowcharts alongside the Policy together with a simplified version of the Manager and Staff guidance so that the procedure for raising a concern and how the council will respond to that concern is much clearer.
 - encourage staff to report any concerns they may have by enabling them to do so at any time by providing a telephone hotline number (i.e. the established corporate fraud line number operated by Internal Audit) and a dedicated "whistleblowing" email inbox.
 - include reference to "whistleblowing" in the "Managers' Workplace Induction Checklist" to ensure that this topic is covered as part of an individual's induction. It is intended that casual and agency workers should also be covered by this induction process.
 - review the council's e-induction programme with a view to improving its effectiveness and giving greater prominence to the council's Code of Conduct for Employees and "whistleblowing" arrangements.
 - improve the monitoring of the corporate induction programme to ensure all new staff complete it.

- raise awareness of the council’s whistleblowing arrangements across the council, particularly targeting those service areas where the Staff Survey results indicated that levels of awareness were particularly low.
- regularly publicise our “whistleblowing” arrangements to staff every six months to ensure levels of awareness within the workforce are maintained.
- include reference to “whistleblowing” in Internal Audit’s anti-fraud elearning module that the team are planning to develop and in the associated anti-fraud campaign they will be running later this year.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 Not applicable.

5. COMMUNITY ENGAGEMENT AND CONSULTATION

5.1 Internal Audit has been consulted on the report.

6. CONCLUSION

6.1 Internal Audit support the proposals set out in this report.

7. FINANCIAL & OTHER IMPLICATIONS:

7.1 Financial Implications:

It is expected that the recommendations outlined in section 3.13.2 of the report will be carried out by in-house staff and absorbed within current workload levels. Any costs which may arise from these recommendations will be met from within existing budgets.

Finance Officer Consulted: Peter Francis Date: 24 February 2014

Legal Implications:

7.2 It is a function of Audit & Standards Committee to review and consider the council’s governance arrangements, including relevant HR policies, to ensure they remain effective. The measures proposed in paragraph 3.12 relate to the arrangements for policy implementation rather than substantive changes to the policy itself. As such, those measures can put directly into effect by the Head of Human Resources under delegated powers.

Lawyer Consulted: Oliver Dixon Date: 28/02/14

Equalities Implications:

7.3 The Policy applies to all employees.

Sustainability Implications:

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

Any other significant Implications:

7.5 There are no other significant implications arising from this report.

SUPPORTING DOCUMENTATION

Appendices:

Appendix 1: Whistleblowing Policy

Background Documents:

None.

Appendix 1

Whistleblowing Policy

A Confidential Reporting Policy for All Employees

1 Independent Advice

- 1.1 If you are unsure whether to use this policy you should seek advice either from Human Resources or Internal Audit.
- 1.2 If you would like independent advice at any stage, you may contact:
 - your trade union representative;
 - professional associations;
 - the independent charity Public Concern at Work www.whistleblowing.org.uk on 020 7404 6609. Their lawyers can give you free confidential advice at any stage about how to raise a concern about serious malpractice at work.

2 Introduction

- 2.1 Brighton & Hove City Council operates within legal requirements and regulations and is committed to the highest standards of openness, honesty and accountability. This whistleblowing policy is an integral part of, and should be read in the context of, the Council's corporate values which are:

Respect: Embrace diversity with kindness and consideration and recognise the value of everyone

Collaboration: Work together to contribute to the creation of effective and successful decision making forums, working groups and partnerships across the council and beyond

Efficiency: Work in a way that makes the best and most sustainable use of the council's resources'

Openness: Share and communicate with honesty about the council and its decisions and activities

Creativity: Have ideas that challenge the 'tried and tested', use evidence of what works and listen pro-actively to feedback from constituents and others

Customer Focus: Do your part to help the council deliver on its 'Customer Promise' to colleagues, partners and customers; the council aims to listen, to be easy to reach, clear, treat everyone with respect and act to get things done

- 2.2 The Council expects its employees to behave appropriately by adhering to all relevant laws, regulations, policies and procedures. In line with that commitment, the Council expects and encourages any employee becoming aware of another employee acting inappropriately, corruptly or illegally to come forward and voice those concerns.
- 2.3 The Policy incorporates the provisions that are required from the Public Interest Disclosure Act 1998 (as amended by the Enterprise & Regulatory Reform Act 2013), which protects members of staff against detrimental treatment or dismissal for disclosing normally confidential information because they reasonably believe it is in the public interest to do so. This is known as a “qualifying disclosure”.
- 2.4 It is unlawful for anyone working for, or on the behalf of, the council to subject an individual to detrimental treatment on the grounds that they have made a “qualifying disclosure”. The council would also be liable for such acts committed by those working for it or acting on its behalf.

3 Benefits of this policy

- 3.1 The Whistleblowing Policy aims to:
- encourage and enable individuals to feel confident in raising concerns and to question and act upon any concerns;
 - provide avenues for individuals to raise concerns and receive feedback on any action taken;
 - ensure that individuals receive a response to their concerns and that they are aware of how to pursue them if they are not satisfied
 - reassure individuals that they will be protected from reprisals or victimisation for raising concerns that they reasonably believe to be in the public interest
 - ensure that all those working for, or on behalf of, the council are aware that it is unlawful for them to treat individual(s) detrimentally because they have made a “qualifying disclosure” under the Act (see also paragraph 2.3 above)

4 Scope

- 4.1 This policy applies to all employees, casual and agency workers, apprentices, contractors and self-employed consultants working on the Council’s premises.
- 4.2 School Governing Bodies are recommended to adopt this policy as a framework for introducing the requirements of this policy in their schools.
- 4.3 This procedure outlines a separate route through which employees can raise concerns that fall outside the scope of the Council’s other complaints procedures. The types of concern covered by the Whistleblowing Policy include:

- conduct which is an offence or a breach of law
- disclosures related to miscarriages of justice
- individual(s) covering up wrongdoing
- health and safety risks, including risks to the public as well as other employees
- damage to the environment
- the unauthorised use of Council funds
- action that is contrary to the Council's financial procedures or contract regulations
- possible fraud, corruption or financial irregularity
- practice which falls below established standards or practice
- sexual or physical abuse of clients
- other unethical conduct.

4.4 If you work for a company that has a contract with the Council then you can also raise concerns under this policy.

4.5 Employees will not be able to raise concerns relating to alleged breaches of their own contracts of employment under this Policy as such concerns are unlikely to meet the "public interest" requirement. Therefore, complaints of this nature should be raised using the council's Grievance Procedure. The Council will respond to concerns relating to bullying or harassment using the Council's Disciplinary Procedure.

5 Supporting you to raise a concern

5.1 **Harassment or Victimisation:** The Council will not tolerate harassment or victimisation and will take action to protect individuals who raise concerns that they reasonably believe to be in the public interest. This protection is in addition to the legal protection provided by the Public Interest Disclosure Act 1998 (as amended by the Enterprise & Regulatory Reform Act 2013).

5.2 **Confidentiality:** Individuals are encouraged to put their name to any allegation. However, if you ask us not to reveal your identity by keeping your confidence, we will not disclose it without your consent. If the situation arises where we are not able to resolve the concern without revealing your identity (for instance because your evidence is needed in court), we will discuss with you whether and how we can proceed.

5.3 **Untrue Allegations Genuine Concerns:** The City Council is committed to this policy. If you raise a genuine concern under this policy, you will not be at risk of losing your job or suffering any form of retribution as a result provided that:

- you reasonably believe the disclosure to be in the public interest, it does not matter if you are mistaken;

- you reasonably believe that information, and any allegations contained in it, are substantially true and
- you raised your concerns through one of the channels named in this policy.

5.4 **Malicious Allegations:** However, we cannot give such assurance if you raise a concern maliciously or the information you have used to trigger a concern has been obtained unlawfully, for example:

- legal requirements have not been followed, e.g. the Data Protection Act has been breached or
- through unauthorised access to records, e.g. computer hacking.

6 How to raise a concern

6.1 As soon as you become reasonably concerned, we hope you will feel able to raise it first with your line manager. Similarly, non-employees (e.g. agency workers or contractors) should raise a concern in the first instance with their contact within the Council, usually the person to whom they directly report.

6.2 If you want to raise the matter with someone other than your immediate manager, for whatever reason, please raise the matter with:

Head of Service/Headteacher/Chair of Governors
Sue Moorman, Head of Human Resources & Organisational Development, ext. 3629
Head of Internal Audit & Business Risk ext. 1323
Catherine Vaughan, Executive Director of Finance & Resources ext. 1333 or
Abraham Ghebre-Ghiorghis, Head of Law (The Monitoring Officer) ext. 1500.

These people will also be able to advise on confidentiality and further action required.

6.3 If these channels have been followed but you still have concerns or if you feel that the matter is so serious that you cannot discuss it with any of the above, you may, as a last resort, contact:

Penny Thompson, Chief Executive ext.1132.

6.4 Concerns may be raised orally or in writing. Members of staff who wish to raise the concern in writing should use the following format:

- the background and history of the concern (giving relevant dates)
- the reason why they are particularly concerned about the situation.

6.5 When raising the concern you may wish to be assisted, or accompanied by either your trade union representative or a colleague who works for the City Council.

6.6 Although the individual raising the concern is not expected to prove the truth of an allegation, you will need to demonstrate to the person contacted that there are sufficient grounds for the concern.

7 How the Council will respond

7.1 Once a concern is raised, the appropriate Council manager will make initial enquiries, taking advice from the Head of HR & Organisational Development if necessary, to help decide if an investigation is appropriate and if so, what form it should take. The person receiving the concern will ensure the Head of Law, as the City Council's Monitoring Officer, is provided with sufficient details to be aware of the concern raised. As soon as possible, and in any case within 10 working days of a concern being raised, the person handling the matter will write to the individual raising the concern acknowledging that it has been raised and indicating how, as far as possible, it will be dealt with. The individual will be kept informed of progress and will receive a full and final response, subject to any legal constraints.

7.2 When you raise the concern(s) you may be asked how you think the matter might best be resolved. If you have any personal interest in the matter, we ask that you tell us this at the outset. If your concerns would be more appropriately dealt with under another policy of the City Council (for example, the Anti Fraud & Corruption Strategy or Grievance Procedure we will tell you.

7.3 While the purpose of this policy is to enable us to investigate possible malpractice and take appropriate steps to deal with it, we will give you as much feedback as we properly can.

7.4 Concerns or allegations that fall within the scope of specific procedures (for example child protection) will normally be referred for consideration under the relevant procedure. Some concerns may be resolved by agreeing action with you without the need for investigation. If urgent action is required, this will be taken before any investigation is conducted.

7.5 Where appropriate, the matters raised may:

- be investigated by management, internal audit, the Monitoring Officer or through the disciplinary process;
- be referred to the Police;
- be referred to the external auditor or
- form the subject of an independent inquiry.

Subject to any legal constraints, you will normally be informed of the final outcome of any investigation.

7.6 The Council will take all reasonable steps to minimise any difficulties to employees or others raising concerns and provide advice and support should they be required to give evidence, e.g. at a disciplinary hearing by:

- providing extra support for witnesses or
- offering counselling services where they may be beneficial etc.

8 How the matter can be taken further

8.1 This policy is intended to provide individuals with an avenue to raise concerns within the Council. The Council hopes that those using this process will be satisfied with the way their concerns are treated and any investigations that may be carried out. However, if you are not satisfied and feel it is right to take the matter outside the Council, the Head of HR & Organisational Development can provide advice as to other options. Alternatively, you may contact an outside body to take the matter further. The following are examples of some of the possible contact points:

- the Council's Auditors
- relevant professional bodies or regulatory organisations
- a solicitor
- the Police.

8.2 If you do take the matter outside the Council, you need to ensure that confidential information is not disclosed.

9 Corporate recording, monitoring and reviewing

9.1 The Head of Law has overall responsibility for the maintenance and operation of this policy and for ensuring it is reviewed every two years by involving key stakeholders in the process.

9.2 A record of all concerns raised and the outcomes (in a form which respects the individual's confidentiality) will be kept by the Head of Internal Audit & Business Risk.

10 If you are dissatisfied

10.1 If you are unhappy with our response, remember you can go to the other levels and bodies detailed in this policy.

10.2 While we cannot guarantee that we will respond to all matters in the way that you might wish, we will try to handle the matter fairly and properly.

Subject: **Member Complaints Update**
Date of Meeting: **25 March 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 January 2014.
- 1.2 The information given in this paper is accurate on 14 March 2014.
- 1.3 This paper does not cover corporate complaints as that material was given in the last two reports. An annual review of corporate complaints performance will be reported in July which will also comment on the process for identifying and sharing learning from customer feedback across the organisation.

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

- A complaint has been received from an elected Member about the accuracy of information supplied by another Member to a committee. This complaint is awaiting a decision on how to progress the matter.
- A complaint was received by a member of the public who alleged that they were assaulted by an elected Member. This complaint is awaiting a decision on how to progress the matter.

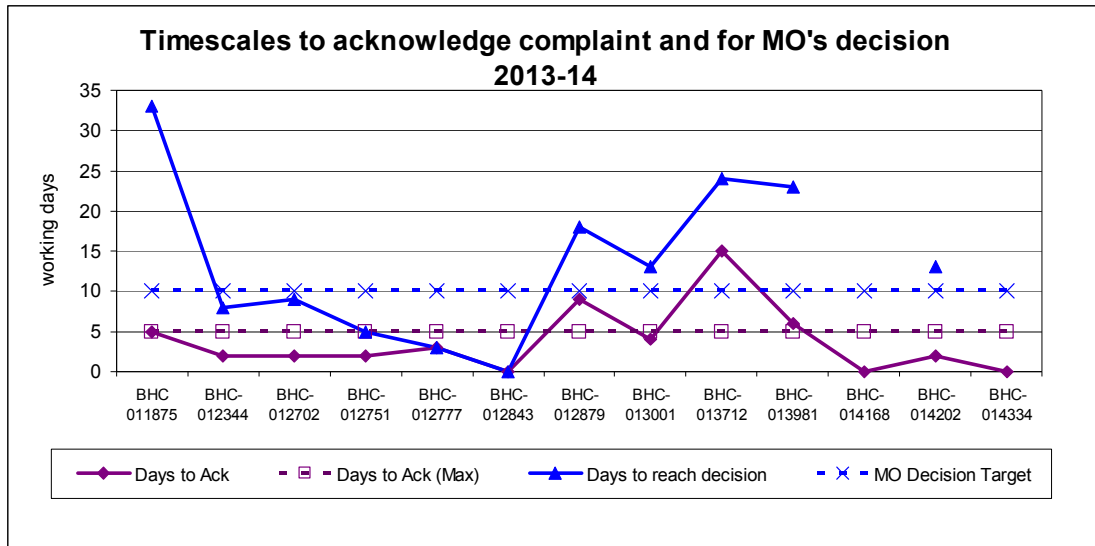
3.1.2 Closed complaints:

- a. A complaint initially referred for investigation has been resolved by local resolution. The complaint was from a member of staff who felt uncomfortable with the way that an elected Member approached him for information about a service user. The Member explained the reason for the unannounced visit and accepted this had put the officer in a difficult position. The Member offered an apology and an assurance that an appointment would always be made in future. The officer accepted the apology.
- b. A complaint has been received about a decision of the Environment, Transport and Sustainability Committee held in Nov 2013. The minutes of the meeting demonstrated that Members of the Committee carefully considered the proposal and were able to reach a view on whether or not they supported the proposal. The Monitoring Officer stated there was no evidence to suggest that any member of the Committee sought to misrepresent their office. The matter was not therefore referred for investigation.
- c. A complaint was received from a taxi driver that an elected Member had asked him to move his vehicle because it appeared to have been illegally parked and that the Member had bullied him. Having conducted some preliminary research the Monitoring Officer was of the view that the facts as presented were insufficient to represent a potential breach of the Code of Conduct. The matter was not therefore referred for investigation.
- d. A complaint was received from an elected Member about an unfortunate and offensive remark made to a member of the public by another Member at a Full Council meeting and that remark was overheard by other members of the public. The Member met with the member of the public and made a personal apology which was accepted. The Member arranged for the people who had overheard the comment to be informed that an apology had been given and accepted.

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. This is achievable in most instances but there have been three occasions where acknowledgement has taken longer than 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. This is not always possible because there are occasions when it is helpful to gain some background information before reaching a decision.



3.2.3 There have been 13 complaints about Member conduct in 2013-14, there were 14 complaints in the previous year. Four complaints in 2013-14 related to the same matter. There has therefore been a reduction in the number of issues complained about in 2013-14 compared to the previous year.

3.2.4 Following the introduction of a new complaint process under the Localism Act complaints about Member conduct by other Members ceased. However, in the February 2014 there have been two complaints of this type.

4. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 4.1 There are no financial implications arising from this report.

Finance Officer Consulted: Anne Silley Date: 25/02/14

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 with local procedures agreed by Audit & Standards Committee in September 2012, as amended in April 2013.

Lawyer Consulted: Oliver Dixon Date: 28/02/14

Equalities Implications:

- 4.3 There are no Equalities implications

Sustainability Implications:

- 4.4 There are no Sustainability implications

Crime & Disorder Implications:

- 4.5 There are no Crime and Disorder implications

Risk and Opportunity Management Implications:

- 4.6 There are no Risk and Opportunity Management implications

Corporate / Citywide Implications:

- 4.7 There are no Corporate or Citywide implications

SUPPORTING DOCUMENTATION

Appendices:

1. None

Documents in Members' Rooms

1. None

Background Documents

1. None

Subject:	Review of procedure for dealing with alleged breaches of the Members' code of conduct		
Date of Meeting:	25 March 2014		
Report of:	Monitoring Officer		
Contact Officer:	Name:	Oliver Dixon	Tel: (01273) 291512
	Email:	oliver.dixon@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE/ NOT FOR PUBLICATION

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report seeks the Committee's agreement to the proposals of the cross-party working group tasked with reviewing the council's procedure for dealing with alleged breaches of the code of conduct for Members.
- 1.2 The current procedure was introduced in 2012 and, following minor revisions, has needed a more thorough review to address certain issues including those highlighted in a recent case decided by the council's Standards Panel.
- 1.3 On 21 January 2014 Audit & Standards Committee agreed to the formation of a cross-party working group to review the procedure and to report back to the subsequent Committee meeting.

2. RECOMMENDATIONS:

That Audit & Standards Committee—

- 2.1 Subject to recommendation 2.2, agree to the amended procedure for handling alleged breaches of the Members' Code of Conduct, as set out in Appendix 2, based on the proposals of the Standards cross-party working group set out in Appendix 1.
- 2.2 Recommend to Policy & Resources Committee that the Standards Panel's designation be altered from a sub-committee to a panel.
- 2.3 Instruct the Monitoring Officer to co-ordinate a review of the Members' code of conduct later in 2014 and, in consequence of that review, to bring a report with recommendations to the Committee.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 In 2012 the council adopted a new procedure for investigating alleged breaches of the Members' Code of Conduct, following the introduction of new provisions on standards set out in the Localism Act 2011. Since then, the council has made

minor alterations to the investigation procedure and composition of standards hearing panels, but once arrangements had been in place a full year, a more comprehensive review was considered beneficial. In addition, a high profile standards investigation and hearing which concluded in December 2013 highlighted the need for certain aspects of the procedure to be reconsidered.

- 3.2 A cross-party member working group was set up to review the procedure and met three times in January and February 2014. The Group comprised Councillors Lepper, Norman (A), Summers, and Sykes, the council's two Independent Persons (Drs Horne and Meleyal), and was supported by the Monitoring Officer. The Group was chaired by one of the Independent Persons.
- 3.3 Technical specialist input was provided by Hoey Ainscough Associates Ltd, a company with national expertise in local government Standards procedures.
- 3.4 The Group re-affirmed the overriding principles of the procedure as:
 - (i) to engender member and public confidence in the process and outcome;
 - (ii) for hearing panels to reach their finding fairly and independently; and
 - (iii) a presumption of openness in panel hearings.
- 3.5 The Group made 19 proposals for change, set out in full at Appendix 1. The principal items are as follows:

Councillors

- (i) The Subject Member to have access to all documentation relevant to the complaint;
- (ii) On notifying the Subject Member of a complaint, the council should encourage against seeking actively to publicise the matter before the complaint has been considered by the Monitoring Officer and, if applicable, investigated;
- (iii) To require members to co-operate with informal resolution where this process has been agreed;
- (iv) No member to serve on a Standards Panel unless he/she has undergone appropriate training; members of the Audit & Standards Committee (who comprise the pool of Panel members) to have annual training;
- (v) The Panel's decision to be owned collectively by the Panel's elected members.

Openness and Media

- (i) Panels to be chaired by an Independent Person rather than a Councillor;
- (ii) Panel papers to be published in advance of a Hearing, with a media release setting out the procedure and the role of the Independent Person.

Technical

- (i) The subject member's grounds of appeal to the Panel's findings be made more specific;
 - (ii) Adequate security be put in place for all stages of the Panel's hearing;
 - (iii) The procedure to allow sufficient time for the Panel to deliberate the complaint in recess;
 - (iv) A review of the Code of Conduct to be undertaken later in 2014.
- 3.6 The proposals are reflected in the revised Standards procedure set out at Appendix 2.
- 3.7 Although the code of conduct itself was outside the Working Group's terms of reference, the Group did recommend that a stand-alone review of the code be conducted later in 2014.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

Two of the Group's key proposals are that –

- (i) The designation of the Standards Panel be changed from a sub-committee to a panel; and
- (ii) The Panel be chaired by an Independent Person rather than a councillor

Both issues are analysed further below.

Constitutional Status of Standards Panel

- 4.1 The Standards Panel is currently a sub-committee of the Audit & Standards Committee. Technically, only full Council or the parent committee can appoint members to a sub-committee, which makes the process of appointing members to a Panel somewhat inflexible.
- 4.2 One option is to alter the Panel's status from sub-committee to a panel. This would permit officers to approach all trained members of the Audit & Standards Committee whenever a panel need to be formed, enquire as to availability and appoint on a cross-party basis. The attendant risk is that the finding made by a panel appointed this way might be challenged on the basis that, being neither a committee nor sub-committee, it was not legally capable of making a binding decision.
- 4.3 Another option is for the Panel to retain its sub-committee designation, and for –
- (i) full Council (at Annual Council) to appoint a fixed Standards Panel membership, including substitutes. It would be necessary for

Council, subject to the agreement of all members, to disapply the proportionality rules regarding appointments to sub-committees, so that appointments could be made on a non-political basis; or

- (ii) Audit & Standards Committee to appoint a fixed Standards Panel membership, including substitutes; or
- (iii) Audit & Standards Committee to convene each time a Panel needed to be formed, and appoint members to that Panel.

4.4 Given that, on finding a breach of the code of conduct, the only sanctions in the gift of a Standards Panel are formal censure and recommendations (as distinct from a formal, self-standing decision), it is not considered a significant risk that the Panel be constituted as a panel instead of a sub-committee. In terms of flexibility of appointment, there are significant advantages in doing so. It is therefore recommended that the Working Group's proposal to that effect be adopted.

4.5 Despite the Standards Panel functioning as a panel instead of a sub-committee, there would continue to be a presumption of openness in its proceedings. In consequence, the Monitoring Officer's report to the Panel would be published in advance and the hearing held in public, except where it was in the public interest that the report be restricted and the hearing conducted in closed session. In all cases, the Panel's deliberations following the hearing would – as now – always be held in private.

Role of Independent Person

4.6 It is the Working Group's strong wish that, to inspire greater confidence in the independence and transparency of the hearing process, the Standards Panel be chaired by an Independent Person. The Group also proposed that, if the Panel were to drop its sub-committee status, the Independent Person be allowed to vote at hearings. (Sub-committee co-optees such as the Independent Person are by law not permitted to vote, unless the committee is purely advisory).

4.7 Under Standards legislation, the Independent Person is not expressly precluded from chairing or voting at a hearing. However, the principal statutory role of Independent Person is to give his/her views to the authority or to the member whose behaviour is the subject of an allegation. By inference, the actual decision as to whether a member has breached the code of conduct is to be made by other elected members only.

4.8 The options are that the Independent Person:

- (i) neither chairs nor votes on a Standards Panel (as at present);
- (ii) chairs the Panel but does not vote; or
- (iii) chairs and votes on a Panel

4.9 Alternatively, one Independent Person could chair the Panel, and a different Independent Person could participate as statutory consultee (and vote, if appropriate).

- 4.10 Allowing the Independent Person to vote may not be compatible with Parliament's apparent intention to establish that role as someone for elected members to consult before determining an allegation themselves. There are also difficulties associated with an Independent Member voting if, in accordance with one of their other statutory functions, they have previously been consulted by the subject member over the allegation.
- 4.11 Accordingly, it is recommended that the Independent Person chair the Panel but does not vote. Such an arrangement is permissible irrespective of whether the Panel is constituted as a sub-committee or panel.
- 4.12 Configured this way, the Panel would need an odd number of voting members (say 3 or 5) to ensure that any decision of the Panel was a majority decision. The Chair would have no casting vote. In the event that no majority decision could be reached (e.g. where one Panel member felt unable to decide the allegation), the Panel would make no finding and a fresh Panel would be appointed to re-hear the matter.
- 4.13 Even if the Independent Person neither chaired nor voted, it is still recommended that he/she attend the hearing and deliberations in person, in order to hear the parties and witnesses, ask questions and seek clarification, which should lead to more effective advice given to voting members before they reach a finding.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 As mentioned at 3.3 above, the working group's proposals were considered by Hoey Ainscough Associates Ltd. With their knowledge of nationwide best practice on local government standards, they offered external validation and benchmarking. Their observations are incorporated into the proposals and revised procedure set out in the appendices to this report.
- 5.2 The final proposals also incorporate minor amendments agreed by the council's Constitution Working Group.

6. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 6.1 The only Working Group proposal with financial consequences is the compulsory annual training of Panel members. However, the cost of these sessions is not expected to be significant and would be covered by the existing revenue budget applicable to the wider programme of Member development.

Finance Officer Consulted: James Hengeveld

Date: 12/03/14

Legal Implications:

- 6.2 The Working Group's proposals are compatible with the statutory framework for local government standards, namely Part 1, chapter 7, of the Localism Act 2011.
- 6.3 Audit & Standards Committee are entitled to develop and adopt its own procedures and protocols. It has authority to agree changes to the

procedure for investigating alleged breaches of standards, but must refer proposed changes to the status of the Standards Panel (i.e. the proposed re-designation from sub-committee to panel) to Policy & Resources Committee.

Lawyer Consulted:

Oliver Dixon

Date: 07/03/14

Equalities Implications:

- 6.4 If adopted, the proposals set out in this report should ensure that the parties to standards panel receive a fair hearing.

Sustainability Implications:

- 6.5 None

Any Other Significant Implications:

- 6.6 None

SUPPORTING DOCUMENTATION

Appendices:

1. Working Group proposals.
2. Revised procedure for dealing with alleged breaches of the Members' code of conduct. (To follow)

Working Group Proposed Changes to Standards Procedure

Initial treatment of complaints

1. All complainants to receive standard information regarding the council's policy on disclosing their identity; and to confirm their acceptance, in order for the complaint to proceed.
2. Once a complaint is filed with the council and deemed valid (e.g. from a named individual and not vexatious), it may not be withdrawn without the consent of both parties and the Monitoring Officer.
3. Subject member to have access to all documentation relevant to the complaint, except where doing so might compromise the safety of the complainant.
4. On first notifying a subject Member of a complaint, the council should discourage all parties from seeking actively to publicise the matter before the complaint had been fully considered by the Monitoring Officer and, if applicable, investigated.
5. Amend code of conduct to require members to co-operate with informal resolution where this process has been agreed by the complainant and subject member.
6. Offensive terms which are the subject of a complaint investigated by the MO be reproduced in the hearing papers only so far as is strictly necessary.

Status and Procedure of Hearing Panel

7. Alter the status of the Standards Panel from a sub-committee to a panel, so as to free the Panel from the legal restrictions applicable to a sub-committee.
8. No member to serve on a Standards Panel unless he/she has undergone appropriate training (see further at item 16 below).
9. (i) The Independent Person to chair the Standards Panel.

(ii) If the Standards Panel is re-constituted as a panel, the Independent Person be given the right to vote. *N.B. On the advice of Hoey Ainscough Associates Ltd, this proposal is now withdrawn. See further at paragraphs 4.6-4.13 of the main report.*
10. To manage the media more proactively, the council should issue a press release on the day the Hearing papers are published, which

should include a reminder that the Chair would be the Independent Person.

11. Adequate security be put in place for all stages of the hearing, for the protection of Panel members and the parties present.
12. The hearing procedure should –
 - (i) allow sufficient time for the Panel to deliberate the complaint in recess, so as not to feel pressurised into reaching a finding within a set time; and
 - (ii) ensure adequate privacy for and protection of the Panel during its deliberations, so as to protect it from unauthorised interruptions.
13. The Hearing Panel be encouraged to make their decision collegially and to vote by acclamation.
14. The Panel may, in the interests of certainty, request its individual members to indicate their vote.
15. The decision of the Panel is to be owned collectively by all its members.
16. The right of appeal from a decision of the Panel should continue but only on one or more of the following grounds:
 - (i) the hearing was procedurally flawed, for example due process was not followed; a relevant consideration was not taken into account; or an irrelevant consideration was taken into account;
 - (ii) new evidence or material has arisen with a direct and significant bearing on the case; or
 - (iii) the Panel's decision was irrational, i.e. so unreasonable that no sensible Standards Panel, having applied its mind to the complaint, could have arrived at that decision.

Training

17. All members of the Audit & Standards Committee to undergo mandatory training or re-training every 12 months, or sooner if appropriate.
18. Member training to address:
 - the code of conduct
 - the legal framework for investigating complaints

- the investigative (not prosecutorial) nature of the process
- the hearing procedure (as amended)
- conduct expected between Panel members, i.e. non-political, non-personalised, mutual respect and courtesy, ownership of collegiate decision

Code of conduct

19. A separate review be conducted later in 2014 as to the suitability of the council's current code of conduct for members.

Ernst & Young 2013/14 Audit Plan

Date of Meeting:	25 March 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 The attached 2013/14 Audit Plan sets out how we intend to carry out our responsibilities as your external auditor. It covers the work we plan to perform in order to provide you with:

- Our audit opinion on whether the Council's financial statements give a true and fair view of the financial position as at 31 March 2014 and the income and expenditure account for the year then ended; and
- A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

1.2 The report summarises our progress to date, our assessment of the key risks which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

1.3 The purpose of the report is to provide you with a basis to review our proposed audit approach, progress to date and overall scope for the 2013/14 audit.

2. RECOMMENDATIONS:

2.1 To consider the 2013/14 Audit Plan and ask questions as necessary on our proposed audit approach, progress to date and audit scope. You should also consider whether there are any other matters which you consider may influence our audit.

Audit Plan

Year end 31 March 2014

Brighton & Hove City Council

March 2014

Ernst & Young LLP



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

March 2014

Dear Members of the Audit & Standards Committee

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Audit & Standards Committee with a basis to review our proposed audit approach and scope for the 2014 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements. It also helps ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for Brighton & Hove City Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 25 March 2014 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
Enc

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1. Overview

Context for the audit

This audit plan covers the work that we plan to perform in order to provide you with:

- ▶ our audit opinion on whether the financial statements of Brighton & Hove City Council give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended; and
- ▶ a statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on your Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements.
- ▶ Developments in financial reporting and auditing standards.
- ▶ The quality of systems and processes.
- ▶ Changes in the business and regulatory environment.
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter. And by focusing on the areas that matter, our feedback is more likely to be relevant to the Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

In parts 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to our audit, and outline our plans to address these risks.

Our process and strategy

Financial Statement Audit

- ▶ When considering the results of our audit work, we consider them in the context of their materiality to the statements as a whole.
- ▶ Where possible and more efficient we will seek to rely on the controls in your systems, therefore reducing the year-end testing required.
- ▶ To the fullest extent permissible by auditing standards, we will seek to place reliance on the work of internal audit.

Arrangements for securing Economy, Efficiency and Effectiveness

- ▶ We adopt an integrated audit approach such that our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

2. Financial Statement Risks

We outline below our assessment of the financial statement risks facing Brighton & Hove City Council, identified through our knowledge of the Council's operations and discussion with members and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<p>Risk of management override</p>	
<p>As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ reviewing accounting estimates for evidence of management bias; ▶ evaluating the business rationale for significant unusual transactions; ▶ the Council's response to the issues arising from the allegation received from the whistle blower as they relate to our responsibilities; ▶ the Council's arrangements for identifying and properly disclosing significant related party transactions in its financial statements; ▶ expenditure and other disclosures in the financial statements potentially affected by issues arising from the whistle blower's allegation; and ▶ any value for money implications arising from the whistle blower's allegation.
<p>Specifically, we have considered the impact of an allegation received by the Council from a whistle blower during the year, relating to a historic failure to declare a material related party interest, on our approach to the audit of the 2013/14 financial statements.</p>	

Significant risks (including fraud risks)**Our audit approach****National Non-Domestic Rates (NNDR) ratetable value appeals provision**

The Business Rates Retention Scheme came into force on 1 April 2013. Under the scheme half of the business rates collected by councils will be retained locally and half paid over to central government.

The level of NNDR paid on business property depends on its 'rateable value'. This is calculated by the Valuation Office Agency (VOA).

Where local businesses believe the current value for business properties is wrong they can:

- appeal to the VOA and ask them to correct details
- appeal the rates if the local business and the VOA can't agree. This appeal is heard by a valuation tribunal.

Where rating appeals are successful, monies to settle the appeals will come out of the Council's funds and will also impact on other local public bodies that precept on the Council. This includes not only claims from 1 April 2013 but also claims that relate to periods before the introduction of the business rates retention scheme. As appeals are to the Valuation Office, authorities may not be aware of the level of claims. Appeals can be speculative in nature and multiple appeals can be made against the same property and valuation on different grounds.

The potential cost of successful rateable value appeals is significant to the Council. There is also a high level of estimation uncertainty in determining an accurate provision for the cost in the financial statements.

We will seek to understand and assess the reasonableness of the Council's methodology in estimating any planned provision in respect of rateable value appeals outstanding at the balance sheet date.

This will involve consideration of both the completeness and accuracy of the data on the number of appeals outstanding and the basis for the assumptions made by the Council on the likelihood of success.

Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may make reference to it in our reporting to you.

3. Economy, Efficiency & Effectiveness

Our work will focus on:

1. Whether there are proper arrangements in place for securing financial resilience at the Council; and
2. Whether there are proper arrangements in place at the Council to secure economy, efficiency and effectiveness in the use of resources.

We have not identified any significant risks to the value for money (VFM) conclusion. However, we have identified the following key areas that we will consider to support our VFM conclusion.

Other risks	Our audit approach
Council spending	
<p>The Audit Commission produces value for money and financial ratio profiles for local authorities on an annual basis. This provides an indication of the relative spending of an individual body against a comparator group of statistical nearest neighbours which have similarities in population, expenditure, and geographical area.</p> <p>Review of the comparative VFM profile data in previous periods has suggested that the Council is high spending compared to its statistical nearest neighbours. This is true for both its overall per capita spending, and per capita spending in each of its main service areas.</p> <p>The Council continues to face significant financial challenges over the medium term. A clear focus on addressing high cost areas is therefore essential to the economy, efficiency and effectiveness of services delivered and the overall financial resilience of the Council.</p>	<p>Economy, efficiency and effectiveness</p> <p>Financial resilience</p> <p>We will consider the comparative spending of the Council based on the latest available VFM profile data.</p>

Better Care Fund

The Council has a well established value for money (VFM) programme and a good track record of delivering its planned savings. However, it is becoming increasingly difficult for the Council to continue to deliver good quality services against a backdrop of growing demand and increased financial challenges.

The June 2013 Spending Round announced the creation of a £3.8 billion Integration Transformation Fund – now referred to as the Better Care Fund (BCF). The BCF is a single pooled budget for health and social care services to work more closely together in local areas, based on a plan agreed between the NHS and local authorities.

It therefore offers a substantial opportunity to the Council to build on its existing partnerships with NHS commissioners and providers to bring resources together to address immediate pressures on services and lay foundations for a much more integrated system of health and care.

This will create both risks and opportunities for the Council. The £3.8 billion is not new or additional money. £1.9 billion will come from clinical commissioning group (CCG) allocations (equivalent to around £10 million for an average CCG) in addition to NHS money already transferred to social care.

Economy, efficiency and effectiveness

Financial resilience

Our approach will focus on the work being done by the Council to consider the potential impact of the BCF on both its service development and medium term financial planning

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice (the Code), dated March 2010, our principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Council's:

- i) financial statements; and
- ii) arrangements for securing economy, efficiency and effectiveness in its use of resources.

We issue a two-part audit report covering both of these objectives.

i) Financial Statement Audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the NAO, to the extent and in the form required by them, on your Whole of Government Accounts return.

ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- ▶ arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

4.2 Audit process overview

Processes

Our initial assessment of the key processes across the entity has identified the following key processes where we will seek to test key controls, both manual and IT:

- ▶ Accounts receivable
- ▶ Accounts payable
- ▶ Business rates
- ▶ Council tax
- ▶ Cash and bank (Cash receipting)
- ▶ Housing benefits and council tax reduction

- ▶ Housing rents
- ▶ Payroll

To the fullest extent permissible by auditing standards, we will seek to place reliance on the work to test controls in its annual programme of work.

We have also identified the following key processes that we will test substantively post year-end:

- ▶ Property, Plant and Equipment
- ▶ Pensions
- ▶ Schools
- ▶ Treasury management
- ▶ Financial Statements Close Process.

Analytics

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

- ▶ help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit & Standards Committee.

Internal audit

As in prior years, we will review internal audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit plan, where issues are raised that could impact the year-end financial statements.

Use of experts

We will utilise specialist EY resource, as necessary, to help us to form a view on judgments made in the financial statements. Our plan currently includes the involvement of specialists in pensions and property, plant and equipment valuations

Mandatory procedures required by auditing standards

In addition to the financial statement risks outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

- ▶ Addressing the risk of fraud and error.
- ▶ Reviewing significant disclosures included in the financial statements.
- ▶ Assessing the effectiveness of entity-wide controls.

- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.
- ▶ Maintaining auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement and the Remuneration Report.
- ▶ Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing, and where appropriate, examining evidence that is relevant to the Council's corporate performance management and financial management arrangements and reporting on these arrangements.

4.3 Materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We have initially determined our overall materiality for the financial statements of the Council as £15.8 million, based on 2% of 2012/13 gross service expenditure.

We will communicate uncorrected audit misstatements greater than £791,000 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

4.4 Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act 1998 in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the Council is £210,330.

4.5 Your audit team

The engagement team is led by Helen Thompson, who has significant experience of the Council. Helen Thompson is supported by Simon Mathers who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the chief accountant.

4.6 Timetable of communication, deliverables and insights


We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government accounts; and the deliverables we have agreed to provide to you through the Audit & Standards Committee cycle in 2014. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

We provide progress reports to each meeting of the Audit & Standards Committee and will provide a formal report detailing the results of our 2013/14 audit to the September meeting of

the Committee. From time to time matters may arise that require immediate communication with the Audit & Standards Committee and we will discuss them with the Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an annual audit letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

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



In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. However, we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

Self- interest threats

A self interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved and that are in compliance with the Audit Commission's Standing Guidance.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Non audit services provided in 2013/14

The Council appointed EY, through a competitive process, to provide support for its programme to identify savings opportunities spanning 2014/15 to 2018/19. We assessed this proposal against the potential threats set out above and concluded there were no threats, and appropriate safeguards had been put in place. The assessment was shared with the Audit Commission which provides a regulatory role in relation to safeguarding the independence and objectivity of auditors. The Audit Commission also concluded that appropriate safeguards were in place, and the work did not pose an independence threat.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified. We therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, your audit engagement director and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 28 June 2013 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2013>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2013/14 £'000	Actual Fee 2012/13 £'000	Explanation of variance
Total Audit Fee – Code work	210,330	210,330	N/A
Certification of claims and returns*	26,300	26,509	For 2013-14, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2011-12, The fee set is broadly consistent with the actual fee charged for 2012/13
Non-audit work	75,000	N/A	No non-audit work was undertaken in 2012/13
Advisory services for value for money through modernisation			

The agreed fee presented above is based on the following assumptions:

- ▶ officers meeting the agreed timetable of deliverables;
- ▶ we are able to place reliance, as planned, on the work of internal audit;
- ▶ the level of risk in relation to the audit of accounts is consistent with that in the prior year;
- ▶ no significant changes being made by the Audit Commission to the use of resources criteria on which our VFM conclusion will be based;
- ▶ our accounts opinion and use of resources conclusion being unqualified;
- ▶ appropriate quality of documentation is provided by the audited body; and
- ▶ effective control environment

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. At this stage, we note the level of risk in relation to aspects of the financial statements has increased as a result of the whistle-blowing allegation being investigated by the Council. We will discuss whether this has an impact on our fee with the Executive Director Finance & Resources in the first instance and then the Audit & Standards Committee.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

*Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission.

Appendix B UK required communications with those charged with governance.

There are certain communications that we must provide to the audit committee of audited clients. These are detailed here:

Required communication	Reference
Planning and audit approach	
Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit	
<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Report to those charged with governance
Misstatements	
<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Report to those charged with governance
Fraud	
<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Report to those charged with governance
Related parties	
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Report to those charged with governance
External confirmations	
<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Report to those charged with governance
Consideration of laws and regulations	
<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off 	Report to those charged with governance

Required communication	Reference
<ul style="list-style-type: none"> ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY’s objectivity and independence</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan</p> <p>Report to those charged with governance</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Report to those charged with governance</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Report to those charged with governance</p>
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<p>Audit Plan</p> <p>Report to those charged with governance and Annual Audit Letter if considered necessary</p>

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Subject:	Ernst & Young - Audit Progress Report and Sector Update		
Date of Meeting:	25 March 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. We have also attached our most recent sector briefing outlining current issues and developments affecting local government for members' information

2. RECOMMENDATIONS:

- 2.1 To consider the 2013/14 audit progress report and attached sector update, ask questions as necessary and note the progress made.

Brighton & Hove City Council

Audit & Standards Committee Progress Report

25 March 2014



Building a better
working world

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

25 March 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 2013/14 audit, and an indication of progress against our plans. 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 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.

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. We continue to liaise with both internal audit and key contacts in central accounting to plan our approach to the audit of the Council's financial statements.

During February, EY held a number of public sector accountancy workshops to update key accounting staff on the changing legislative and accounting landscape within local government for 2013/14. Officers from Central Accounting attended one of these workshops on behalf of the Council.

Our work to identify the Council's material income and expenditure systems and to walk through these systems is now complete. The detailed testing of the controls and critical path of each material system is ongoing. 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.

Our assessment of the risks impacting on the audit of the financial statements for the Council is set out in our 2013/14 Audit Plan presented to this meeting of the Audit & Standards Committee. The Plan has been discussed and agreed with the Chief Executive and Executive Director of Finance & Resources.

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 have included our assessment of the risks impacting on the 2013/14 VFM conclusion at the Council in our Audit Plan presented to the Audit & Standards Committee today.

Audit Committee briefing paper

Our sector briefings are one of the ways that we continue to support Audit & Standards Committee members, and the Council more generally, in an environment that is constantly changing and evolving.

Our latest sector briefing is attached as an appendix to this progress report. It covers issues which may have an impact on the Council, the Local Government sector and our audit approach. We would be happy to answer any questions you have on the content of the briefing.

Timetable

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 & Standards Committee cycle. We will provide formal reports to the Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Associated Audit & Standards Committee	Status
High level planning	Ongoing	Audit Fee Letter	March 2013	Completed. Reported to the April 2013 meeting of the Audit & Standards Committee
Risk assessment and setting of scope of audit	Feb – April 2014	Audit Plan	March 2014	Complete. Our assessment of the risks impacting on our financial statements and VFM conclusion audit is set out in our 2013/14 Audit Plan presented to this March 25 meeting of the Audit & Standards Committee.
Testing of routine processes and controls	Feb – April 2014	Audit Plan	June 2014	Ongoing. Any update to our assessment of risk based on the results of testing of routine processes and controls will be reported to the June 2014 meeting of the Audit & Standards Committee
Year-end audit	June - August 2014	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2014	Our audit is planned to start on 16 June 2014

Audit phase	EY Timetable	Deliverable	Associated Audit & Standards Committee	Status
Annual Reporting	October 2014	Annual Audit Letter	November 2014	-
Grant Claims	September – November 2014	Annual certification report	January 2015	

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Local Government Audit Committee briefing

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Introduction

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

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

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



Building a better
working world



Sector and economic news

Economic Outlook

The ITEM Club, one of the UK's foremost independent economic forecasting groups, sponsored by EY, published its Winter Forecast in January 2014. It recognises that the UK's economic rebound is continuing to exceed expectations with GDP now projected to grow by 2.7% in 2014 followed by 2.4% in 2015.

Although this headline news is positive, the reality is more complex. The current recovery is lopsided in two ways. The first is that it's being driven almost exclusively by consumer spending and housing. Until rising business confidence is matched by a revival in investment and exports, the upturn will be neither balanced nor sustainable.

The second imbalance is that, despite rising employment, real wages are continuing to fall. This gap reflects a number of structural shifts in the workforce, and should close by the start of 2015. But its effect is that consumer spending cannot continue to drive the recovery without triggering a new and unwelcome rebound in household debt.

EY ITEM Club notes: 'this situation poses a dilemma for the Bank of England's Monetary Policy Committee as it gauges when to raise interest rates.'

With employment rising but real wages falling, the unemployment rate alone is too blunt a measure. Instead, the MPC must hold interest rates steady until real wages and business investment are rising. Otherwise it risks aborting the recovery before it reaches escape velocity.'

Enhancements to Bellwin Grant

The government is changing the terms of the Bellwin scheme to help local authorities meet costs associated with the recent severe weather. The changes will ensure the grant is paid at 100% above the threshold instead of 85%, extend the eligible spending period to the end of March 2014, reduce the thresholds for county councils and unitary authorities, and allow upper tier authorities with fire responsibilities to claim on the same basis as standalone fire authorities for fire related costs.

The Bellwin scheme was activated in December 2013. Ministers have also committed to a longer term review of the Bellwin scheme to consider changes to its operation which may be required due to more frequent and challenging weather events.



Sector and economic news

Making best use of the Better Care Fund

Announced by the government in the June 2013 spending round, the £3.8bn Integration Transformation Fund now known as the Better Care Fund is described as 'a single pooled budget for health and social care services to work more closely together in local areas, based on a plan agreed between the NHS and Local Authorities'. The Fund, available from April 2015, offers an opportunity to bring resources together to address immediate pressures on services and lay foundations for a much more integrated system of health and care. The intention is that social care and health care be fully integrated by 2018.

For Local Authorities, this will require the contribution of the Social Care Capital grant and Disabled Facilities Grant allocations for 2015/16 to the pooled budget.

Health and Wellbeing Board areas were required to submit a draft plan for their use of this fund by 14th February, and the revised plan by 4th April 2014. The King's Fund has published 'Making best use of the Better Care Fund – Spending to Save?' which 'offers an evidence-based guide to aid the discussions between clinical commissioning groups, Local Authorities and health and wellbeing boards' and presents evidence from The King's Fund and others in a number of different areas including primary prevention, selfcare, and case management.



Accounting, auditing and governance

Greater Business Challenges call for Stronger Audit Committees

Audit committees have traditionally comprised of people with deep finance and accounting expertise, a reflection of the committee's statutory financial control and reporting oversight duties. But, in recent years, the business environment has become more complex and its role has expanded, leading many boards and audit committees to rethink the skills they need.

The audit committee's remit now includes overseeing risk management, compliance and a series of emerging business risks in areas such as bribery, corruption and cybersecurity.

This increased responsibility includes a call by some regulators for 'stronger audit committees' to oversee the regulatory and business risks that organisations face.

Participants surveyed for the EY report, Greater business challenges call for stronger audit committees, identified diversity of culture, roles and experience as the most important elements of an effective audit committee.

Critical skills include:

- ▶ **Financial expertise:** the committee needs a keen understanding of internal controls and experience in disclosure to its key stakeholders.
- ▶ **Accounting and auditing expertise:** one of the most critical audit committee responsibilities is overseeing the internal and external auditors. The committee needs at least one member who has experience working with both functions, and someone who understands accounting rules and how to apply them.
- ▶ **Leadership:** the committee should include someone who has hands-on experience of leading in an operational role within an organisation. In particular, audit committees would benefit from people who have been CEOs and CFOs.
- ▶ **Industry or sector knowledge:** it's important to have members with sector-specific knowledge – including an understanding of the regulatory environment.



Regulation news

Business rates valuation: a consultation

Since 1 April 2013, local government has had a 50% share in business rates income, meaning that local authorities now carry a 50% share of the risk of reductions and refunds from challenges against rateable value. This means that local authorities have to forecast the impact of successful challenges on their future income, a task made difficult by the large number of speculative challenges. The government has launched a consultation, which lasted for 12 weeks until 3 March 2014, on proposals aimed at reforming the appeals process. The objectives of the proposals under consultation are to:

- ▶ Improve transparency of the valuation process
- ▶ Bring business rates into line with the way official decisions are normally challenged
- ▶ Enshrine in law a more formal separation between the Valuation Office Agency (a government taxation setting body) and the Valuation Tribunal for England (the judicial body which reviews decisions made by the VOA)

The government intends to implement these proposals from 1 October 2014.

Technical Reforms to Council Tax: national discount for annexes

Between August and October 2013, the government ran a consultation on the proposed introduction of a discount on the council tax for annexes, where such annexes are occupied by a member of the family of an occupier of the main dwelling. The responses to this consultation were published in December 2013, and the government is planning to implement its proposals. The majority of respondents supported the government's proposed discount of 50%. However, over half of respondents considered that the implementation of this policy would lead to extra costs, mainly in the areas of promotion, IT and administration. The government does not consider that the administration of the new discount will constitute a new burden, as under Regulation 14 of the Council Tax (Administration and Enforcement) Regulations 1992, billing authorities already have a statutory duty to ascertain whether a property is entitled to a discount. However, the overall cost of the discount will be reimbursed to billing authorities by DCLG.



Regulation news

Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014, which provides for the abolition of the Audit Commission and repeals the Audit Commission Act 1998, received Royal Assent on 30 January 2014. This Act makes provision for the Audit Commission to officially be wound down in 2015. The effective closure date will be 31 March 2015 and will bring to an end the Commission's 30 year involvement with public sector audit.

A transitional body will manage the current round of supplier contracts when they end in 2016/17 or, if extended, 2018/19. Subsequently, the new framework for public audit will replace the Audit Commission. When the existing contracts have run their course, local bodies will be able to appoint their own auditors, although local audit appointments will be overseen by an Independent Auditor Panel, and collective audit procurement will be enabled. Quality will be overseen by the Financial Reporting Council, as for Companies House audits.

The Audit Commission has identified where some of its key functions will be transferred to. These include:

- ▶ The National Fraud Initiative will transfer to the Cabinet Office on 1 April 2015.
- ▶ The National Audit Office will take on the statutory responsibility to produce and maintain the Code of Audit Practice and issue guidance to auditors.

The Commission is still in talks with several government departments to determine where other key areas which it is responsible for such as Value for Money and Counter Fraud will be transferred to.



Find out more

Economic Outlook

See the full analysis at:

<http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Enhancements to Bellwin Grant

Read more at:

<https://www.gov.uk/government/news/more-support-for-communities-affected-by-floods>

Making best use of the Better Care Fund

Find out more at:

<http://www.local.gov.uk/documents/10180/12193/Developing+plans+for+better+care+fund+guidance.pdf/734c155e-7820-4761-976a-6c56053c0e78>

<http://www.kingsfund.org.uk/publications/making-best-use-better-care-fund>

Audit Committee Challenges

Read the latest briefing at:

[http://www.ey.com/Publication/vwLUAssets/EY-Audit-Committee-Bulletin-Issue-5-October-2013/\\$FILE/EY-Audit-Committee-Bulletin-Issue-5-October-2013.pdf](http://www.ey.com/Publication/vwLUAssets/EY-Audit-Committee-Bulletin-Issue-5-October-2013/$FILE/EY-Audit-Committee-Bulletin-Issue-5-October-2013.pdf)

Consultation on checking and challenging your rateable value

Find out more at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263015/Checking_and_Challenging_your_Rateable_Value.pdf

Technical Reforms to Council Tax: national discount for annexes

Find out more at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263411/131115-_Annex_A-_Draft_summary_of_responses_on_annexes_consultation-_pr.pdf

Local Audit and Accountability Act 2014

Find out more at:

<http://www.audit-commission.gov.uk/2014/01/finish-line-in-sight-for-audit-commission/>

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1481657.indd (UK) 03/14. Artwork by Creative Services Group Design.



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Subject:	Ernst & Young - Audit Progress Report and Sector Update		
Date of Meeting:	25 March 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. We have also attached our most recent sector briefing outlining current issues and developments affecting local government for members' information

2. RECOMMENDATIONS:

- 2.1 To consider the 2013/14 audit progress report and attached sector update, ask questions as necessary and note the progress made.

Catherine Vaughan
Executive Director Finance & Resources
Brighton & Hove City Council
Kings House
Grand Avenue
Hove
BN3 2LS

6 March 2014

Direct line: 023 8038 2099

Email: HThompson2@uk.ey.com

Dear Catherine

Brighton & Hove City Council – 2012/13 Housing and Council Tax Subsidy Benefit certification fee

We issued our formal 'Certification of grants and returns annual report' on the 21 January 2014, to report the outcome from our audit work on your grant claims. Within this report, we set out the final audit fees in respect of those claims, subject to any variations to be agreed by the Audit Commission.

The Audit Commission has now formally approved the audit scale fee variation of £2,192 in relation to the Housing and Council Tax Subsidy Benefit claim.

As a result, we need to confirm the reported scale fees with our certification of grants and returns annual report, to report accurately the final fee position. Rather than re-issue the report, which has been through the committee cycle, we summarise the impact of this change below.

Claim or return	2011-12	2012-13	2012-13
	Actual fee £	Indicative fee £	Actual fee (revised and final) £
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 receipt	567	820	1,437
Housing Revenue Account subsidy	1,552*		
Total	52,236	23,700	26,509

*Note *: Following abolition of the housing subsidy system, certification of this claim was not required in 2012/13. Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns.*

We would be grateful if you could arrange for this letter to be included as part of the next Audit & Standards Committee agenda, for completeness for Members.

We will make the necessary arrangements to invoice the additional £2,192 audit fee to you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Helen Thompson', with a stylized, cursive script.

Helen Thompson
Director
Ernst & Young LLP
United Kingdom

Subject:	Strategic Risk Management Action Plan Focus: SR15 Keeping children safe from harm and abuse; and SR17 School Places Planning		
Date of Meeting:	25 March 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 Pinaki Ghoshal, Executive Director Children's Services, who is the Risk Owner for both Strategic Risks SR15 and SR17. 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

Financial Implications

- 3.1 Each Strategic Risk MAP provides details of the actions already in place ("Existing Controls") or work to be done as part of business or project plans (the

“Solutions”) to address each strategic risk. Potentially these may have significant financial implications for the authority either directly or indirectly.

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

Finance Officer Consulted: James Hengeveld

Date: 20/02/2014

Legal Implications

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

Lawyer Consulted: Oliver Dixon

Date: 20/02/2014

SUPPORTING DOCUMENTATION

Appendices:

1. Strategic Risk Assessment Report – SR15 and SR17.

Documents in Members' Rooms

1. 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
Pinaki Ghoshal

Risk Category - BHCC Strategic Risk;

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

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

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

Initial:	High		Revised:	Significant		Future:	Significant	
Risk Identified Date:	8/5/2013		Date Modified:	17/2/2014		Date Modified:	23/5/2013	

Risk Category:
 - BHCC Strategic Risk
 - Customer / Citizen

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

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

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

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

Identified The Council has a statutory role to ensure primary and secondary school places meet future need. There has been an upturn in the birth rate so that since 2003, the number of school aged children living the city has been increasing year on year therefore pupil places are increasingly challenged.

This is particularly acute in areas when in previous years pupil yield has previously been very much lower. While previously there has been a focus on primary school places in the next few years we will have a significant pressure on secondary school places.

Potential Conseq

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

Initial: High  **Revised:** Significant 
Risk Identified Date: 25/9/2013 **Date Modified:** 17/2/2014

Risk Category:

- BHCC Strategic Risk
- Customer / Citizen

Existing Controls:

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

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

Solutions: Cross-party Members and partners working group terms of reference agreed and school organisation plan being considered at Children's Committee in March 2014
 Report to Children's Committee in October 13 to recommend opening of junior school site at Police Station
 Council and education providers work together to improve school performance so that all are outstanding

Subject:	Internal Audit Progress Report 2013/14		
Date of Meeting:	25 March 2014		
Report of:	Executive Director of Finance & Resources		
Contact Officer:	Name:	Mark Dallen, Acting Head of Internal Audit	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 'maintain an adequate and effective system for internal control in accordance with proper practices.' Proper practice is defined by Public Sector Internal Audit Standards.
- 3.2 The Internal Audit Strategy and Plan provides the framework to deliver this service ensuring the most appropriate use of internal audit resources to provide assurance on the Council's control environment and management of risks.
- 3.3 The Audit Plan sets out an annual schedule of those systems including core financial systems, governance frameworks, IT audits and other key operational systems.

3.4 Amendments to the plan are approved by the Executive Director of Finance and Resources and are reported as part of this monitoring report.

4. PROGRESS AGAINST THE AUDIT PLAN:

4.1 A total of 39 reports now been finalised for the year to date. The 9 finalised since the last meeting are:

Final Audit Reports	Assurance Opinion*	Number of Recommendations and Priority
Risk Management	Substantial	2 Low Priority Recommendations only
Housing Estates Regeneration Programme	Substantial	1 x Medium
Projects and Programme Management (PMO)	Substantial	2 x Medium
Section 75 Agreements	Substantial	1 x Medium
Establishment Control	Limited	1 x High 3 x Medium
Pupil Places	Substantial	None
Libraries	Reasonable	5 x Medium
Management of VAT	Substantial	1 x Medium
Debtors - Cancelling Accounts	Reasonable	8 x Medium

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

4.2 In addition there are 23 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 62 at this point of the year which represents 56% of the approved audit plan. Another 16 audit reviews are in progress (77%).

4.4 A number of different resourcing issues have impacted on the service during the year including high levels of sickness which is being managed in accordance with the council's procedures and the recent resignation of the Head of Internal Audit. In addition there have been significant additional resource pressures to support the council's arrangements in relation to fraud and corruption. Problems have also been experienced in resourcing the IT element of the agreed audit plan predominantly provided by an external contractor Mazars (formally Deloitte) which are still in the process of being resolved.

4.5 A more detailed breakdown of the use of audit resources and completion of each elements of the audit plan will be given at the year end.

4.6 Progress against the plan has been carefully monitored with adjustments being made to ensure the highest risk areas are prioritised and that satisfactory coverage is provided.

5. LIMITED ASSURANCE REPORTS:

5.1 One Limited assurance audit report has been issued since last reported. This is in respect of an audit of Establishment Control.

- 5.2 Establishment Control is a new corporate process that ensures all changes to employee contracts affecting staffing budgets are tracked and controlled. The purpose of the process is to improve control and information on staffing budgets for both services and the organisation as a whole.
- 5.3 The audit found that although there is regular reconciliation between the approved employee establishment and the budgets within the General Ledger there remain major difference between the two systems. The level of difference between the two systems is of such significance that we considered the overall Establishment Control 'change' process to be ineffective and in need of urgent review.

6. CHANGES TO THE APPROVED AUDIT PLAN:

- 6.1 An unplanned additional audit was undertaken on Debtors - Cancelling of Accounts.
- 6.2 The review was requested by the Executive Director of Finance & Resources and focused on those parts of the council's main debtor processes relating to the cancelling of debtor invoices, including the effectiveness of corporate procedures and policies surrounding these.
- 6.3 Controls were examined in relation to the risk that valid debts are cancelled when further action could have been taken or formal debt write-off procedures should have been followed instead of cancellation.
- 6.4 The audit report concluded Reasonable Assurance and eight recommendations were made. These were mainly with regard to the production, clarification and agreement of procedures. There is also the need to clarify and agree delegated authorities in the process and for improved communication between debt collection officers and individual budget holders.

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	33	3
Cautions	7	0
Administration Penalties	25	4
Overpayments*	£887,000	£162,000

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	6	1
Housing Association properties	1	0

National Fraud Initiative Update

- 7.3 The exercise has now resulted in £477,200 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 £460,000.

8. IMPLEMENTATION OF RECOMMENDATIONS:

- 8.1 For the year to date we have now followed-up on a total of 139 recommendations. The results of this exercise are summarised below.

Number of Recommendations Followed Up (Year to Date)	Implemented*	% Compliance
139	105	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: 13/03/14

Legal Implications:

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

Lawyer Consulted: Abraham Ghebre-Ghiorghis

Date: 13/03/14

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:	Internal Audit Strategy and Annual Plan for 2014/15		
Date of Meeting:	25 March 2014		
Report of:	Executive Director of Finance and Resources		
Contact Officer:	Name:	Mark Dallen, Acting Head of Internal Audit	Tel: 29-1314
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Ward(s) affected:	All		

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

- 1.1 The report and attached Internal Audit Strategy and Annual Plan details the objectives and priorities of Internal Audit for the 2014/15 financial year. It also summarises the priorities and resources of the Corporate Fraud Team who work closely with Internal Audit.
- 1.2 The strategy and plan provides a key mechanism for giving assurance that the Council's internal control, risk management and governance arrangements are effective.

2. RECOMMENDATIONS:

- 2.1 The Committee is recommended to approve the Internal Audit Strategy and Annual Plan for 2014/15.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The Accounts and Audit Regulations 2011 require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with proper practice'. The proper practice for the 2014/15 financial year is the Public Sector Internal Audit Standards. This document is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in collaboration with the Chartered Institute of Internal Auditors.
- 3.2 The plan is risk-based and provides a schedule of work to obtain assurance on the Council's control environment.
- 3.3 The Internal Audit Strategy and Annual Plan 2014/15 is attached as Appendix 1. The strategy sets out the framework, key considerations and overall approach to our work. The plan details the resources and specific work for the coming year.
- 3.4 Included within the plan is a summary of the Corporate Fraud Team's priorities and resources for 2014/15. The resources available within this team are currently

composed of officers whose historical role has been mainly the investigation of housing benefit and council tax related fraud.

4. Development of the Audit Plan and Resources

- 4.1 The audit plan has been compiled by the Acting Head of Internal Audit in conjunction with the Executive Director of Finance and Resources and other members of the Executive Leadership Team (ELT). In addition there has been significant consultation with other senior managers across the organisation.
- 4.2 For 2014/15 the plan includes 1,515 days of audit work and 100 separate audit reviews.

5. Service Development Priorities for 2014/15

5.1 Internal Audit service development priorities within the plan for 2014/15 are to:-

- Continue to improve our arrangements for the follow-up of recommendations and the escalation of those where appropriate action has not been taken.
- To work with the Corporate Fraud Team to promote an anti-fraud culture and to detect and investigate allegations of potential fraud.
- Encourage the raising of legitimate concerns through the Whistleblowing Policy and the Fraud Hotline.
- Contribute to the improvement of the Council's Corporate Governance arrangements.
- Increase the number of individual schools audits and the resources set aside for these review.
- Follow-up on the control weaknesses identified in the ICT Limited Assurance reviews undertaken during 2013/14.
- Support key funding and service changes in Adult Social Care in relation to the Care Bill and Better Care Fund.
- Support the Council's Value for Money Programme and seek assurance that projects and programmes are on track to deliver.
- Ensure the service complies fully with the Public Sector Internal Audit Standards.

5.2 The Corporate Fraud Team's service development priorities are to:

- Develop fraud awareness throughout the Council through training and other initiatives.
- Investigate allegations of other corporate fraud including (but not limited to) Procurement, Payroll, Blue Badges, Parking Permits, Grants, Schools.
- Revise, draft and communicate corporate policies including the Counter Fraud Strategy.
- Carry out proactive work using data analytics to identify transactions indicating high fraud risk.

6. Implications of Single Fraud Investigation Service (SFIS)

- 6.1 The Department of Works and Pensions (DWP) are currently leading a project that will mean that the investigation of housing benefit and residual council tax benefit fraud will become the responsibility of the DWP within SFIS.
- 6.2 The Council is in the process of being updated on the timetabling of these proposals and the implications for the Corporate Fraud Team and individual officers. The timetabling of the establishment of the SFIS service as it impacts on this Council is not yet confirmed. At present we understand staff transfer could occur any time between Autumn 2014 and March 2016.
- 6.3 A potential consequence of the transfer is that the staff resources within the Corporate Fraud Team are significantly reduced. If this occurs during 2014/15 it is likely to impact the delivery of the Corporate Fraud Team's objectives for the year. In that event revisions to the plan will be made and brought to this committee.

7. COMMUNITY ENGAGEMENT & CONSULTATION

- 7.1 The process of compiling the Internal Audit Strategy and Annual Plan has involved substantial consultations including with:
- The Executive Director of Finance and Resources and Chief Executive.
 - Other ELT members.
 - Other Heads of Service and senior management.
 - Staff within both Internal Audit and Corporate Fraud.
 - The Risk Manager.
 - External Audit.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications

- 7.1 It is expected that the Internal Audit Strategy and Annual Plan for 2014/15 will be delivered within existing budgetary resources. However, the financial and service implications of the potential changes to investigating housing benefit and residual council tax benefit fraud outlined in section 6 of this report have yet to be confirmed and this could affect the delivery of the plan.
- 7.2 The Annual Internal Audit Plan and action taken in line with recommendations from audits support the robustness and resilience of the councils practices and procedures and support the councils overall financial position.

Finance Officer Consulted: James Hengeveld

Date: 12/03/14

Legal Implications:

This report sets out the council's plan for conforming to regulation 6 of the Accounts and Audit Regulations 2011, details of which are referred to in paragraph 3.1 above.

Equalities Implications:

When carrying out audit work, any equality issues identified are reported to the appropriate level of management. The Internal Audit Strategy and Annual Audit Plan recognises the council's priorities in respect to Equality and Diversity and how Internal Audit will meet them.

Risk and Opportunity Management Implications:

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

Corporate / Citywide Implications:

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

Sustainability Implications:

When carrying out audit work, any sustainability issues identified are reported to the appropriate level of management.

SUPPORTING DOCUMENTATION

Appendices:

Appendix 1. Internal Audit Strategy and Annual Plan for 2014/15

Background Documents

Accounts and Audit Regulations 2011

Public Sector Internal Audit Standards

Brighton & Hove City Council Strategic Risk Register (reviewed by ELT 25 September 2013)

Internal Audit

Draft Internal Audit Strategy & Annual Audit Plan 2014-15

Mark Dallen, Acting Head of Internal Audit

March 2014



**Brighton & Hove
City Council**

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1. Introduction

The Internal Audit Strategy and Plan is an important component of the Council's assurance framework. It details work priorities and resources for the coming financial year.

This year's plan has two components; one relating to the work of the Internal Audit Team and the other the Council's Corporate Fraud Team. The work of the two teams is distinct but with a significant overlap that requires effective and joined up working practices. In addition both teams work closely with the Council's Risk Manager.

The Internal Audit Team undertake reviews across the entire breadth of council business activities, to make sure that controls are in place to effectively manage the key risks in the Council's systems and services.

The service aims to assist in improving the efficiency and operations of the Council in line with corporate and service objectives. This requires continuously challenging services and promoting openness, accountability and high standards of internal control and governance.

Our service is designed to support both the Executive Director of Finance & Resources and the Audit & Standards Committee. Our work is governed by the Public Sector Internal Audit Standards and our Internal Audit Charter. The updated Internal Audit Charter is attached at Appendix B.

These services are delivered by the Internal Audit and Corporate Fraud Team in the Finance & Resources Directorate. In addition the Internal Audit Plan work which focuses on the council's IT services will be delivered by our external partner Mazars Public Sector Audit Limited (previously Deloitte Public Sector Audit Limited).

This document sets out the Internal Audit Strategy and Annual Audit Plan for Brighton & Hove City Council for the financial year. For 2014/15 it incorporates a summary work plan for the Corporate Fraud Team.

The purpose of the Internal Audit Strategy and Annual Audit Plan is to:

- § Demonstrate effective audit coverage and a mechanism to provide independent and objective assurance in particular to the Audit & Standards Committee and the Executive Leadership Team (ELT).
- § Communicate our objectives for the coming year.
- § Prioritise the use of available audit and corporate fraud resources.
- § Inform elected Members and management of the range and extent of audit coverage.
- § Highlight the linkages between Internal Audit, Corporate Fraud work and Risk Management.

- § Support the Executive Director of Finance & Resources in fulfilling her obligations.
- § Update elected Members and senior management on our working practices and audit approach.
- § Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2011.
- § Ensure compliance with the Public Sector Internal Audit Standards 2013.

2. Service objectives 2014/15

Internal Audit's service objectives for 2014/15 are to:-

- § Give assurance on the overall control environment
- § Identify individual control problems and recommend practical business solutions
- § Follow-up and track the implementation of recommendations made in our reports
- § To work with the Corporate Fraud Team to promote an anti-fraud culture and to detect and investigate allegations of potential fraud
- § Help build an effective corporate governance framework
- § Provide assurance on key IT risks and governance arrangements
- § Develop an organisational culture that prevents loss, fraud and waste of resources
- § Encourage the raising of legitimate concerns through the Whistleblowing Policy and the Fraud Hotline
- § Support the annual governance review and preparation of the Annual Governance Statement
- § Ensure an effective working relationship with External Audit (Ernst & Young)
- § Support the Council's Value for Money Programme and seek assurance that projects and programmes are on track to deliver.

The Corporate Fraud Team's service objectives are to:

- § Investigate allegations of Housing Benefit and Council Tax Reduction Fraud.
- § Progress sanctions against fraudulent benefit claimants including Cautions, Prosecutions and Administration Penalties.
- § Investigate housing tenancy fraud and support Housing Officers in the recovery of properties.
- § Investigate allegations of other corporate fraud including (but not limited to) Procurement, Payroll, Blue Badges, Parking Permits, Grants, Schools.
- § Develop fraud awareness throughout the Council through training and other initiatives.
- § Revise, draft and communicate corporate policies including the Counter Fraud Strategy, Fraud Response Plan, the Bribery Act policy and Money Laundering.
- § Carry out proactive work using data analytics to identify transactions indicating high fraud risk.
- § To action intelligence obtained from the National Fraud Initiative data matching exercise.

3. The Role and Purpose of Internal Audit

The statutory basis for internal audit in local government is provided in the Accounts and Audit Regulations 2011 which states that *a local authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practice*. The Council has included this statutory requirement in its financial regulations.

The Public Sector Internal Audit Standards defines Internal Audit as *'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'*

In addition to the above, the has a statutory duty footnote under Section 151 of the Local Government Act 1972, to establish a clear framework for the proper administration of the local authority's affairs. To perform that duty the Executive Director of Finance & Resources relies on, amongst other things the internal audit work for reviewing systems of internal control, financial management and other assurance processes.

The standards for 'proper practice' in relation to internal audit are laid down in the Public Sector Internal Audit Standards (2013). We continually seek to ensure compliance with these professional standards and these are reflected in our Audit Charter.

The standard and quality of internal audit is principally scrutinised in four ways:

- § An annual review of the effectiveness of internal audit required by the Accounts & Audit Regulations 2011.
- § An independent external review of the service every 5 years.
- § Our External Auditors seek to place reliance upon the quality and standard of work our work.
- § A defined customer feedback process.

4. The Audit Process

Each audit is carried out in accordance with a defined process and in accordance with professional standards. Each audit has an agreed Terms of Reference, which includes reference to key service or system risks. An assessment is made of the resources (days) to be allocated for each audit review.

We ensure that for each review the responsible Service Manager, Head of Service, and/ or Executive Director (Lead Client) will be consulted as necessary in the scoping to ensure it is appropriately focussed on key risks.

At the end of the audit key findings and recommendations are raised with management and documented in a written report. These reports include recommendations for addressing control weaknesses and an overall conclusion or Assurance Level. These assurance conclusions range from "Full Assurance" to "No Assurance".

Final internal audit reports will be issued after the agreement of draft reports and contain completed management actions plans that identify those responsible for implementation of recommendations and timescales.

Recommendations are followed-up in accordance with an agreed protocol. This includes prioritising follow-ups on any audits where we have concluded “Limited” or “No” Assurance.

5. Developing the Annual Audit Plan

The audit plan is developed using a systematic approach to mapping auditable areas and identifying audit risk, together with consultations with Members, ELT and other senior managers within the Council.

A summary of the approach is set out below.

Step 1 Define the audit universe	<ul style="list-style-type: none"> Identify and update/review all the auditable entities within the Council. Auditable entities can be services, systems, establishments, projects or programmes. The process includes an analysis of the Council’s budgets, priorities and strategic risks as well as previous audit work. Consultations with ELT, Members and other senior management. Reference to developments and changes in Local Government services, legislation and financial arrangements.
Step 2 Assessment of Audit Risk	<ul style="list-style-type: none"> Calculate an audit risk indicator (a numerical value) for each area taking into account previous audit work and opinions, budget materiality and other factors.
Step 3 First Draft of Plan	<ul style="list-style-type: none"> Produce initial draft of Annual Audit Plan.
Step 4 Consultation	<ul style="list-style-type: none"> Consult with Executive Director of Finance and Resources, Chief Executive, ELT members and senior management to refine plan and add in emerging projects and initiatives and content of each audit.
Step 5 Second Draft of Plan	<ul style="list-style-type: none"> Circulate draft of Annual Audit Plan Present draft report to Audit & Standards Committee for approval.

The Annual Internal Audit Plan is our work plan for the year but there may be changes during the year to reflect changes in Council and service priorities and emerging issues and risks. These will initially be approved by the Executive Director of Finance & Resources and then reported to the Audit & Standards Committee. In addition some contingencies are allowed for unplanned audit work in the plan.

6. Internal Audit and Corporate Fraud Resources

The Internal Audit service is mainly resourced by in-house staff. In addition IT audit work is also resourced from our partner Mazars Public Sector Audit Limited (previously Deloitte Public Sector Audit Limited).

For 2014/15 there are 9 full time equivalent staff in the Internal Audit Team including the Acting Head of Internal Audit. There are also 9.5 full time equivalent staff in the Corporate Fraud Team whose workload historically has focused on the investigation of housing benefit and council tax fraud. In 2014/15 the Corporate Fraud team will be supplemented by an additional post funded by the Housing service to focus on Tenancy Fraud.

Staff within the Internal Audit Team are a mixture of CCAB qualified accountants, Members of the Chartered Institute of Internal Auditors and those with AAT qualification.

Staff are matched to individual audits and other projects taking into account their training, qualifications, skills and work experience. We also seek to ensure rotation of staff so that one officer does not continually undertake the same audit year on year.

7. Summary Internal Audit and Corporate Fraud Plan 2014/15

In total there are 1,520 direct days available for the Internal Audit Service and 1,445 for the Corporate Fraud Team.

A summary of the resource allocations for Internal Audit and Corporate Fraud is provided in the tables below and overleaf.

Appendix A shows the detailed Annual Internal Audit Plan and provides a brief narrative summary of each of the reviews. Audits are also mapped against the Council's current Strategic Risks, where relevant.

Table 1 - Internal Audit Resources

Thematic Area	Number of Specific Audit Reviews	Audit Days
Governance	8	87
Key Financial Systems	14	214
Other Financial Systems	5	62
Contract/ Procurement	8	133
Service Focused	30	425
Project Assurance	3	47
IT Audit	14	116
Schools	13	88
Counter Fraud	-	160
Establishment Audits	2	15
Grant Certification	3	15
Other (including contingencies)	-	153
Totals	100	1,515

Table 2 - Corporate Fraud Resources

Thematic Area	Audit Days
Reactive – Investigation of Housing Benefits and Council Tax Reduction fraud	700

Reactive- Investigation of other Corporate fraud	250
Reactive- Investigation of Housing Tenancy Fraud	250
Reactive- Investigation of National Fraud Initiative (NFI) data matches	50
Proactive/ Fraud Awareness work	175
Service Development	20
Totals	1,445

Audit & Standards Committee and ELT will receive regular progress reports against the plan.

8. Key Areas for 2014/15

The paragraphs below give an overview of our service for 2014/15:

8.1 Governance Audits

In 2014/15 we will assist the Council in providing an improved governance framework which ensures that decisions are made in accordance with approved corporate policies and are aligned to the objectives and values of the organisation. As well as assurance work on individual components of the governance framework we are also scheduling resources to assist with the development of corporate arrangements.

8.2 Key and Other Financial Systems

An important focus of our work is on financial systems. This work supports the work programme delivered by External Audit. It provides assurance that financial systems effectively control income and expenditure and that financial information is accurate for both operational and strategic decision making purposes.

8.3 Contracts and Procurement

Audit reviews on contracts and procurement are designed to do two main things. The first is to provide assurance that procurement processes are legal, in accordance with the Council's constitution and demonstrate VfM. The second major component is in ensuring the contracts deliver the goods and services intended at the price that has been agreed.

8.4 Service Reviews

A number of different types of audit have been classified as service reviews. These will generally adopt a systems/risk-based audit process. Again, an important component is the effective operation of financial controls but in addition these reviews may also look at a wide range of operational controls which link back to the key risks identified within the service areas.

8.5 Project Assurance

To deliver improved services, respond to legislative changes and deliver improved efficiency the Council has a significant number of projects planned and in progress. The audit plan includes review of the key controls and management arrangements for key corporate projects.

8.6 IT Audits

A significant element of the audit plan is the review of IT systems and services. These reviews range from technical audits of IT controls and procurement, as well as contract audits and reviews which focus on information and data management. The 2014/15 programme will include follow-up on audits where Limited Assurance has previously been given.

8.7 Schools

The programme of schools audits has been expanded for 2014/15 to allow more visits to individual schools. This reflects an increase in risks highlighted by the investigation of potential fraud losses within individual schools. Other work will be carried out on schools' contracts and the school admissions process.

8.8 Counter Fraud

Counter Fraud work is resourced from both the Corporate Fraud Team and Internal Audit. For 2014/15 both teams have identified resources for investigating corporate fraud allegations (reactive work) as well as resources for identifying unreported fraud and improving fraud awareness across the Council (proactive work).

8.9 Implementation of Agreed Management Actions

At the end of each audit review, an audit report will be produced containing agreed management actions to audit recommendations made. We will seek assurance these agreed actions are fully implemented to ensure improvements to the Council's control environment. We will focus on high and medium priority audit recommendations.

8.10 Service Development

Time has been allowed in this years plan for some service development work. This includes preparation for the planned external review of the service and ongoing compliance with the PSIA's.

9. Performance Management

To achieve planned coverage, deliver a high standard of customer care and demonstrate effectiveness of the service, we have well established performance targets based on best professional practice and easily comparable with other organisations.

Performance indicators and targets are shown at Appendix C for six aspects of our service:

- § Cost and quality of input;
- § Productivity and process efficiency;
- § Quality of output;
- § Compliance with professional standards;
- § Outcomes and degree of influence; and
- § Our staff.

We will ensure continuous improvement of the Internal Audit Service and adopt new approaches.

Appendix A

DETAILED INTERNAL AUDIT PLAN 2014/15

	Days	Narrative	Responsible Officer	Scheduled	Strategic Risk
Governance					
Performance Management	12	Performance management reporting to DMTs.	Assistant Chief Executive	Q4	
Data Sharing (Health and Social Care)	12	Assurance that data sharing meets legislative and operational requirements.	Executive Director Adult Services	Q4	16 - Health and Social Care Modernisation/ Integration
Freedom of Information Act and Openness and Transparency	15	Assurance on compliance with legislation. That the Council makes data and information available to stakeholders in accordance with central government and local requirements.	Executive Director Finance and Resources	Q1	10 - Information Governance Management
Data Protection	8	Compliance with legislative requirements.	Executive Director Finance and Resources	Q2	10 - Information Governance Management
Records Management Policy	10	Processes are in place to enable the Council to manage records in accordance with legislative and corporate requirements.	Executive Director Finance and Resources	Q1	10 - Information Governance Management
Attendance-Absence Management	12	Procedures are properly and consistently applied across the organisation.	Executive Director Finance and Resources	Q1	
Risk Management (Use of Interplan)	10	That Risk Management strategy is embedded. There will be a specific emphasis on the review of the Interplan software to deliver the corporate arrangements.	Executive Director Finance and Resources	Q2	

Declarations of Interests, Gifts & Hospitality	8	Follow-up on 2013/14 audit report.	Head of Legal & Democratic Services	Q2	
Subtotal	87				

	Days	Narrative	Responsible Officer	Scheduled	Strategic Risk
Key Financial Systems					
Housing Rents	18	That key controls are in place over the collection of HRA housing rents.	Executive Director Environment, Development and Housing	Q4	
Management of Non-Current Assets	8	Non-current assets are recorded and managed effectively to be able to inform Council decision making and the preparing of the Council's accounts.	Executive Director Finance and Resources	Q4	
Treasury Management	10	That there are effective controls over borrowing and investments.	Executive Director Finance and Resources	Q4	
Capital Accounting & Expenditure	12	Capital expenditure is managed and controlled in accordance with accounting regulations and corporate policies.	Executive Director Finance and Resources	Q4	
Main Accounting System	15	Key financial system audit, including controls over journals and virements.	Executive Director Finance and Resources	Q4	
Council Tax	15	Key financial system including controls over billing and recovery.	Executive Director Finance and Resources	Q3	2 - Financial Outlook for the Council

Business Rates	15	Key financial system including controls over billing and recovery.	Executive Director Finance and Resources	Q3	2 - Financial Outlook for the Council
Business Rates (Retention forecasting and related systems)	10	Follow-up work review on corporate processes for forecasting and monitoring impact on Business Rate retention on corporate finances.	Executive Director Finance and Resources	Q3	2 - Financial Outlook for the Council
Cash Collection & Banking	15	To review key financial controls over the council's banking and reconciliation processes.	Executive Director Finance and Resources	Q3	
Debtors	18	That debtors are processed, raised and managed in accordance with corporate requirements.	Executive Director Finance and Resources	Q4	
Budget Management	18	To check Budget Management is effective and meet corporate requirements.	Executive Director Finance and Resources	Q3	2 - Financial Outlook for the Council
Payroll	20	That controls ensure that all payroll transactions are accurate and correctly authorised.	Executive Director Finance and Resources	Q4	
Housing and Council Tax Benefits	20	Key controls are in place to ensure claims are paid accurately and promptly.	Executive Director Finance and Resources	Q3	
Creditors	20	To ensure that key controls over payments through creditors are in place and operating consistently.	Executive Director Finance and Resources	Q4	
Subtotal	214				

	Days	Narrative	Responsible Officer	Scheduled	Strategic Risk
Other Financial Systems					
Bailiff Services	10	Follow-up on 2012/13 audit to include examining performance management information.	Executive Director Finance and Resources	Q2	
Employee Overpayments	10	That processes promptly detect and recover any salary overpayments.	Executive Director Finance and Resources	Q1	
Staff Expenses	15	To obtain assurance on key controls over systems for claiming expenses.	Executive Director Finance and Resources	Q4	
Procurement Cards	15	To ensure key controls are in place and working consistently.	Executive Director Finance and Resources	Q1	
Periodic Payments (Carefirst)	12	To examine controls over periodic payments, including payment stop controls.	Executive Director Finance and Resources	Q1	
Subtotal	62				

	Days	Narrative for Plan	Responsible Officer	Scheduled	Strategic Risk
Contract/ Procurement					
Lift Maintenance Contract (Housing)	15	Contract management and procurement controls have operated as expected.	Executive Director Environment, Development and Housing	Q2	
Housing Repairs Contract	20	To obtain assurance that the service is delivered in accordance with the contract as well as Council and tenant expectations.	Executive Director Environment, Development and Housing	Q4	
Integrated Waste Management Contract	25	Joint working with ESCC to ensure key aspects of the IWMC are delivered as per the contractual arrangements.	Executive Director Environment, Development and Housing	Q1-4	
Office Cleaning Contract	10	To obtain assurance that the service is delivered in accordance with the contract and Council requirements.	Executive Director Finance and Resources	Q1	
Approved Lists	15	That approved lists are compiled and used in accordance with corporate procurement rules.	Executive Director Finance and Resources	Q1	
Corporate Banking Contract	15	To establish that key risks are controlled in the procurement process, including technical implications for business processes.	Executive Director Finance and Resources	Q1-4	
Education PFI	15	Controls ensure that services are delivered as per contract arrangements and that there is effective co-ordination of the role of the Council, schools, and service providers.	Executive Director of Children's Services	Q1	
Children's Services - Procurement	18	Controls are in place to ensure that Children's services procurement complies with legal and corporate requirements.	Executive Director of Children's Services	Q3	
Subtotal	133				

	Days	Narrative for Plan	Responsible Officer	Scheduled	Strategic Risk
Service Focused					
Payment of Grants	15	Key financial controls over award and payment of grants. To include controls that prevent duplicate funding to external partners.	Assistant Chief Executive	Q4	
Sea Front Services	15	To include a review of the management of health and safety risks and co-ordination between Council departments.	Assistant Chief Executive	Q3	12-Maintaining Seafront as an asset to the city
Public Health	15	To review governance and contract arrangements within service provision.	Director of Public Health	Q4	
Client Billing (Adult Social Care Contributions)	15	To ensure client billing arrangements are effective and properly monitored.	Executive Director Adult Services	Q1	
Direct Payments and Personal Budgets	15	To examine key financial controls over processes including those which prevent and detect fraud or misuse of funds.	Executive Director Adult Services	Q2	
Asylum Seekers	15	To examine key financial controls over service expenditure.	Executive Director Adult Services	Q1	
Learning Disabilities	20	To examine key financial controls over service expenditure and budgets.	Executive Director Adult Services	Q1	

Care Bill Planning and Integration	12	Review of project management and implementation arrangements including data collection.	Executive Director Adult Services	Q3	16 - Health and Social Care Modernisation/ Integration
Better Care Fund	12	To examine the arrangements for the management and control around the use and integration of the Better Care Fund.	Executive Director Adult Services	Q4	16 - Health and Social Care Modernisation/ Integration
Housing Rent Arrears (Welfare Reform Impact)	10	To examine processes which track and review impact of welfare reform on rent arrears.	Executive Director Environment, Development and Housing	Q4	11. Welfare Reform
Parking – Pay by Telephone	12	Project management and operational controls are in place to manage the effective roll out of the service, and that all income due is promptly received by the Council.	Executive Director Environment, Development and Housing	Q2	
On-Street and Off-Street Car Parking	20	To ensure effective control over this significant income stream, and that all monies due to the Council are promptly and efficiently banked.	Executive Director Environment, Development and Housing	Q4	
Blue Badges	10	To examine key controls in relation to issuing badges and fraud prevention.	Executive Director Environment, Development and Housing	Q4	
City Clean Expenditure	15	Key controls over City Clean expenditure and procurements.	Executive Director Environment, Development and Housing	Q3	
Residents Parking Permits	15	Income collection processes are effective and permits are only issued where application criteria are met.	Executive Director Environment, Development and Housing	Q1	
Building Control	10	Examine effectiveness of income, expenditure and budget management controls.	Executive Director Environment, Development and Housing	Q3	

Housing Local Delivery Vehicle	12	Obtain assurance that service delivery arrangements operate as agreed, and that processes identify and controls high level risks in relation to the service.	Executive Director Environment, Development and Housing	Q1	
Regulatory Enforcement Activities/Licensing	12	To obtain assurance on legal compliance of processes and income collection processes.	Executive Director Environment, Development and Housing	Q2	
Right to Buy	10	To ensure that legislation is correctly applied, effective administration and controls to detect fraud or abuse of the scheme.	Executive Director Environment, Development and Housing	Q2	
Refuse Collection (Recycling)	15	To examine controls over service expenditure and management information on the operation of the service and recycling.	Executive Director Environment, Development and Housing	Q3	8 - Becoming a more sustainable city
Supporting People	20	To review the supporting people programme.	Executive Director Environment, Development and Housing	Q2	
Housing Temporary Accommodation	20	Review of rent accounting controls for temporary accommodation and controls over payments to suppliers.	Executive Director Environment, Development and Housing	Q2	
Homelessness (Prevention and Management)	15	Examination of processes that manage the demand for Council accommodation, including prevention strategies and information collection.	Executive Director Environment, Development and Housing	Q1	13 - Keeping Vulnerable Adults safe from harm and abuse
Housing Allocations	15	Housing is allocated in accordance with approved procedures.	Executive Director Environment, Development and Housing	Q1	

Tenant Incentive Scheme	12	That the scheme is administered in accordance with the approved arrangements.	Executive Director Environment, Development and Housing	Q1	
Welfare Reform (Discretionary funds and other interventions)	15	To examine risks and controls in respect of Welfare Reform. (Including discretionary payment systems).	Executive Director Finance and Resources	Q4	11 - Welfare Reform
PIER (Management Data)	12	To examine management information reporting from the PIER system.	Executive Director Finance and Resources	Q2	
Premises Security	8	Council premises are safeguarded from unauthorised entry or damage. Assurance that proper contractual arrangements are in place with third party providers.	Executive Director Finance and Resources	Q1	
Property Legal Compliance	15	Follow-up on Limited Assurance Corporate Landlord report from 2013/14. To ensure that mechanisms are in place to provide assurance over property related health and safety risks.	Executive Director Finance and Resources	Q2	
Leaving Care	18	To examine key financial controls over service expenditure and budgets	Executive Director of Children's Services	Q1	
Subtotal	425				

	Days	Narrative for Plan	Responsible Officer	Scheduled	Strategic Risk
Project Assurance					
Major Projects	20	Review of major projects and key project management controls. To include the i360.	Executive Director Environment, Development and Housing	Q1-4	12 - Economic Resilience and Sustainable Economic Growth
VFM Phase 4	15	That project management controls are in place to ensure the delivery of VFM 4.	Executive Director Finance and Resources	Q3	2 - Financial Outlook for the Council
Workstyles Project	12	That project management controls are in place to ensure the delivery of the Workstyles Project.	Executive Director Finance and Resources	Q3	2 - Financial Outlook for the Council
Subtotal	47				

	Days	Narrative for Plan	Responsible Officer	Scheduled	Strategic Risk
ICT Audit					
Payment Card Industry – Data Security Standard (PCI-DSS) -	5	To follow-up on the audit from 2013 which concluded Limited Assurance.	Chief Technology Officer	Q2	10 - Information Governance Management

Mobile & Portable Devices	5	To follow-up on the audit from 2013 which concluded Limited Assurance.	Chief Technology Officer	Q2	18 - Effective Use of technology
ICON Cash Management	5	To follow-up on the audit from 2013 which concluded Limited Assurance.	Chief Technology Officer	Q2	
Service Levels Performance and Benchmarking	5	To follow-up on the audit from 2013 which concluded Limited assurance	Chief Technology Officer	Q2	18 - Effective Use of technology
Information and Data Sharing	5	To follow-up on the 2012/13 audit that concluded Limited Assurance.	Chief Technology Officer	Q3	10 - Information Governance Management
IT Server Estate	5	To follow-up on the 2013 audit that concluded Limited Assurance.	Chief Technology Officer	Q3	10 - Information Governance Management
Business Rates (New System)	10	Assurance on project management over purchase and implementation of a new IT system.	Chief Technology Officer	Q1-4	18 - Effective Use of technology
SIMS Application audit (Deloitte gave Limited Assurance Report in 2013)	5	Follow-up on Limited Assurance audit reported in 2013.	Chief Technology Officer	Q2	
BACS	6	Follow-up on 2013/14 Limited assurance review.	Chief Technology Officer	Q2	
Core Systems	10	IT audit review of one or more key business systems.	Chief Technology Officer	Q3	
Software Licensing	10	To provide assurance that the Council is only using licensed software and that payment is not being made for unused licensed software.	Chief Technology Officer	Q2	18 - Effective Use of technology
ICT Governance	15	Annual assurance on ICT governance arrangements to support the annual internal audit opinion.	Chief Technology Officer	Q4	18 - Effective Use of technology

ICT Contracts	20	To ascertain that ICT contracts are being procured in accordance with corporate rules and requirements, and that controls ensure services are delivered to requirements.	Chief Technology Officer	Q1	18 - Effective Use of technology
Capital Investment Programme - ICT	10	To examine the framework for developing the ICT Capital Investment Programme and monitoring arrangements.	Chief Technology Officer	Q2	18 - Effective Use of technology
Subtotal	116				

	Days	Narrative for Plan	Responsible Officer	Scheduled	Strategic Risk
Schools					
Traded Services for Schools	8	Follow-up on 2013/14 audit review and assurance on project progress.	Executive Director of Children's Services	Q2	
School Meals Contract	8	Assurance that key contract management processes that income controls are operating as expected are in place and income is correctly accounted for.	Executive Director of Children's Services	Q3	
Schools Admissions	12	Obtain assurance that controls ensure process operates as designed and communicated to stakeholders.	Executive Director of Children's Services	Q2	17 - School Places Planning
Schools Audits	60	To undertake individual school audits incorporating budget management, income and expenditure controls and key governance arrangements. (10 audits)	Executive Director of Children's Services	Q1-4	
Subtotal	88				

	Days	Narrative for Plan	Responsible Officer	Scheduled	Strategic Risk
Counter Fraud					
Fraud Awareness Training and Proactive Fraud Initiatives	25	Support to Corporate Fraud Team in delivering fraud awareness training, a revised corporate fraud strategy and other initiatives.	Other	Q1-4	
Fraud and Management Investigations	100	Investigation of fraud, whistle blowing and other management issues that arise during the year.	Other	Q1-4	
Data Analytics	20	Use of data analysis and manipulation to identify and investigate high risk transactions in payment systems.	Executive Director Finance and Resources	Q2	
Council Tax Single Person Discount (Fraud Prevention and Detection)	15	Controls are in place to detect and prevent SPD fraud.	Executive Director Finance and Resources	Q3	2 - Financial Outlook for the Council
Subtotal	160				

	Days	Narrative for Plan	Responsible Officer	Scheduled	Strategic Risk
Establishment Audits					
Brighton Centre - Ticketing and Catering	10	To examine key financial Controls over Income and Expenditure.	Assistant Chief Executive	Q2	
Children's Centres	5	To undertaken an establishment audit of income, expenditure, cash and other local controls at a Children's centre.	Executive Director of Children's Services	Q2	
Subtotal	15				

	Days	Narrative	Responsible Officer	Scheduled	Strategic Risk
Grant Certification					
Contingency for Auditing and Certification of Grant Claims	15	Time allowed for certification of grant claims where there is a requirement of the external funding body. (Estimated 3 claims)	Executive Director Finance and Resources	Q1-4	
Subtotal	15				

	Days	Narrative	Responsible Officer	Scheduled	Strategic Risk
Other (including contingencies)					
Environmental Management System Audits	8	Support to Sustainability Team in delivering Environmental Management System Audits.	Executive Director Environment, Development and Housing	Q1-Q4	
Implementation Reviews	40	Implementation reviews on 2013/14 audits in accordance with agreed service protocol.	Other	Q1-Q4	
Contingency for Unplanned Work (including c/f from 2013/14)	50	Contingency for management requests for unplanned work.	Other	Q1-Q4	
Improvements to Corporate Governance	25	Time to support development and communication of enhanced corporate governance arrangements.	Other	Q2	
Service development including compliance with Public Sector Internal Audit Standards	30	Preparation for and engagement with external review of the service. Further development of quality assurance and improvement processes.	Other	Q1-Q4	
Sub-total	153				

Total Days	1,515				
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Internal Audit Charter

Introduction

This Charter defines for the Council, the purpose, authority and responsibility of the Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards.

The Charter will be approved annually by the Audit & Standards Committee, after consultation with the Executive Leadership Team (ELT).

Internal Audit Purpose

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Internal Audit supports the whole Council to deliver economic, efficient and effective services and achieve the Council's vision, priorities and values.

In a local authority internal audit provides independent and objective assurance to the organisation, its Members, the ELT and in particular to the Chief Financial Officer (the Executive Director, Finance & Resources) to help discharge her responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

In addition, the Accounts and Audit Regulations (2011) specifically require the provision of an internal audit service. In line with regulations, Internal Audit provides independent assurance on the adequacy of the Council's governance, risk management and internal control systems.

Authority

The Head of Internal Audit is the Council's Chief Audit Executive as defined in the Public Sector Internal Audit Standards 2013.

The Head of Internal Audit is line managed by the Council's Chief Financial Officer but has unrestricted access to the Chief Executive, all members of the ELT, Corporate Management Team and Chair of the Audit & Standards Committee.

Internal Audit has unrestricted access to all Council and partner records and information, cash, stores and other Council property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter Council property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the Council should be set out in the conditions of funding.

The Internal Audit function will consider all requests from the External Auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, which External Audit would need to discharge their responsibilities.

Internal Audit Responsibility

The Council's Head of Internal Audit is required to provide an annual opinion to the Council and to the Chief Financial Officer, through the Audit & Standards Committee, on the adequacy and the effectiveness of the internal control system for the whole Council. In order to achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources.
- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures.
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- To provide assurance that significant risks to the Council's objectives are being managed. This is achieved by annually assessing the adequacy and effectiveness of the risk management process.
- To provide responsive, challenging and informative advice and support to management on risk management, controls and governance to management.
- To provide clear and concise internal audit reports to support management in implementing agreed actions to improve services and risk management, control and governance processes.
- To investigate all cases of suspected financial irregularity, fraud or corruption in accordance with agreed procedures.
- To promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud.

Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal Audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of audit work and to ensure the authenticity of these documents.

Where appropriate, Internal Audit will undertake audit or consulting work for the benefit of the Council in organisations wholly owned by the Council, such as Local Authority Trading Companies. Internal Audit may also provide assurance to the Council on third party

operations (such as delivered by contractors and partners) where this has been provided for as part of the contract.

Internal Audit Reporting

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Strategy and Annual Internal Audit Plan that includes the Audit Charter are reported annually to the ELT and the Audit & Standards Committee. These are approved by the Audit & Standards Committee.
- The Annual Internal Audit Plan is compiled by the Head of Internal Audit taking account of the Council's risk framework and after input from members of the ELT and Corporate Management Team.
- The Internal Audit budget is reported to the Policy & Resources Committee and Full Council for approval annually as part of the overall Council budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the Audit & Standards Committee. The approach to providing resource is set out in the Internal Audit Strategy.
- Performance against the Annual Internal Audit Plan and any significant risk exposures and control issues arising from audit work are reported to the ELT and Audit & Standards Committee on a regular basis throughout the year.
- Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit & Standards Committee.
- Results from the quality assurance and improvement programme will be reported to both ELT and Audit & Standards Committee.
- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to the ELT and Audit & Standards Committee and will be included in the Head of Internal Audit's Annual Internal Audit Report and Opinion. If there is significant non-conformance this may be included in the Council's Annual Governance Statement.

Internal Audit Independence

The independence of the Head of Internal Audit is further safeguarded by ensuring that his annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of the Audit & Standards Committee contribute to, and/or review the appraisal of the Head of Internal Audit.

All Internal Audit staff are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit & Standards Committee. To maintain

independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.

Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics
- Seven Principles of Public Life (Nolan Principles)
- Public Sector Internal Audit Standards 2013
- All Council Policies and Procedures
- Other relevant legislation

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards 2013, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. The Head of Internal Audit is required to hold a professional qualification (CCAB or CMIIA) and be suitably experienced.

Appendix C

Service Performance Targets 2014/15

Aspect of Service	Performance Indicators	Target
Cost and Quality of Input	<ul style="list-style-type: none"> Service costs 	<ul style="list-style-type: none"> Within budget
Productivity and Process Efficiency	<ul style="list-style-type: none"> Achievement of annual plan by 30th April 2014 (%) Issue of draft report after completion of fieldwork Issue of final report after agreement with client of draft Audit reviews delivered within budgeted time 	<ul style="list-style-type: none"> 100% Within 10 Days Within 10 Days 100%
Quality of Output	<ul style="list-style-type: none"> Client satisfaction levels (including added value from audit recommendations), source customer satisfaction questionnaires External audit reliance on work of internal audit 	<ul style="list-style-type: none"> 90% of scores within good to very good Reliance placed
Compliance with Professional Standards	<ul style="list-style-type: none"> Public Sector Internal Audit Standards 	<ul style="list-style-type: none"> 100% compliant
Outcomes and degree of influence	<ul style="list-style-type: none"> Implementation of agreed management action to recommendations made 	<ul style="list-style-type: none"> 98% of High Priority Recommendations 85% of Medium Priority Recommendations
Our Staff	<ul style="list-style-type: none"> Professionally Qualified and Undertaking CPD Annual Training & Development Received (Minimum) 	<ul style="list-style-type: none"> 80% 5 Days

Subject: Risk Management Strategy 2014 - 2017
Date of Meeting: 20 March 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 This report proposes for approval the city council's approach to Risk Management over the next three years, 2014 – 2017, to replace the Risk Management Strategy 2013. It is formed of:

- Appendix 1 Risk Management Strategy 2014 – 2017;
- Appendix 2 Risk Management Programme by year (2014 – 2017).

1.2 Approval for the Risk Management Strategy and associated documents is the responsibility of Policy & Resources Committee; ongoing monitoring of the effectiveness to deliver the Strategy is within the role of the Audit & Standards Committee.

2. RECOMMENDATIONS:

That the Policy & Resources Committee:

- 2.1 Approve the Risk Management Strategy 2014 – 2017 (Appendix 1); and the Risk Management Programme by year (Appendix 2).
- 2.2 Delegate authority to the Executive Director, Finance & Resources to alter the risk management process (which is published on the intranet 'the Wave') as necessary so that it is kept up to date with changing requirements and best practice.
- 2.3 Note that any changes made to the risk management process will be reported as part of the risk management annual progress report to the Audit & Standards Committee.
- 2.4 Note that the Audit & Standards Committee will monitor the performance and progress in the implementation of the Risk Management Strategy over the next three years.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 A structured and embedded approach to risk management is an essential of effective corporate governance. It ensures the council can make decisions and put arrangements in place to meet its purpose, ambition and priorities as set out in the Corporate Plan. Risk Management contributes to creating the right culture and processes, combined with structures within an organisation, to better assure success through a dynamic risk aware culture which:

- Identifies and manages new or emerging circumstances to protect and ensure the safety of decisions, service design, innovation and service delivery;
- Enables officers to use risk management to successfully take up opportunities, whilst minimising negative risks in services that the council delivers or commissions;
- Improves personal accountability for risk management.

3.2 The council's approach to risk management will continue to work towards achievement of the international standard for risk management, ISO 31000: 2009, which defines risk as the "effect of uncertainty on objectives" and further expands that "an effect is a positive or negative deviation from what is expected".

3.3 The Risk Management Strategy 2014 - 2017 sets out four objectives:

1. Modernising the Council by using risk management;
2. Enable a risk aware culture which manages risks and takes up opportunities;
3. Continually improve and embed risk management into the existing processes of the council;
4. Work to increase the capability of services to plan for unexpected events; meet service expectations; and manage business activities.

3.4 Subject to the approval of the Policy & Resources Committee it is intended that the strategy (Appendix 1) will span a three year period in order to reduce administration and enable focus on achievement of outcomes whilst setting out a programme of risk management work (Appendix 2) to be undertaken.

3.5 Progress on the annual programme of risk management work will be reported to the Audit & Standards Committee together with any changes to the approved risk management process (available on the intranet 'the Wave') which have been authorised under delegated authority by the Executive Director, Finance & Resources.

3.6 Many aspects of the council's approach have not altered, such as:

- The risk management process which is widely used and understood within the council¹ and enables linkages with city partners' own risk management processes;
- Integration of risk management into existing methods, processes and frameworks;

¹ In January 2014, a conclusion of substantial assurance was given by Internal Audit after testing Risk Management - Service Level Arrangements (2013/14) as part of business planning.

- Continuing to use risk management to support the approach to managing both negative risks (such as threats or issues which could prevent achievement of objectives) and positive opportunities (such as those connected with innovation and working with others creatively to achieve objectives).

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The city council could decide to update the Risk Management Strategy each year (as for 2012; and 2013) but experience of the annual approach has shown that little change to the risk management process was required, and more focus could be directed to progress reporting over the longer term as part of corporate governance arrangements.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The work to establish Risk Management is a key element of the council's Performance & Risk Management Framework has involved cross-discipline work and through work on the City Wide Risk Register has involved consultation with external partners.

6. CONCLUSION

- 6.1 The Risk Management Strategy 2014 - 2017 sets out the council's approach to managing risk and uncertainty so that it is understood and applied to contribute to more successful outcomes and delivery of the council's objectives.
- 6.2 The city council could decide not to have any approved Risk Management Strategy but this would not accord with best practice for corporate governance and would not enable a proactive and well understood approach to prioritising issues to enable decisions on the most appropriate course of action.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The Risk Management Strategy will assist the authority to comply with Corporate Governance Standards and will contribute to the authority's control and risk management arrangements for the Annual Governance Statement within the Financial Statements.

Finance Officer Consulted: James Hengeveld

Date: 14 /02/14

Legal Implications:

- 7.2 Effective risk management systems will enable better identification of risks, promote their effective management and therefore minimise the council's exposure to legal challenge or financial and/or reputational damage.

Lawyer Consulted:

Oliver Dixon

Date: 10/02/14

Equalities Implications:

- 7.3 The council's operating model puts customers at the heart of our activities. The Risk Management methodology includes consideration of and a process to manage equalities implications.

Sustainability Implications:

- 7.4 Sustainability means protecting and enhancing the environment, meeting social needs and promoting economic success and risk management will be applied to each of these.

Any Other Significant Implications:

- 7.5 None.

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix 1 – Risk Management Strategy 2014 – 2017.
2. Appendix 2 - Risk Management Programme by year (2014 – 2017).

Documents in Members' Rooms

1. None.

Background Documents

1. International standard for risk management, ISO 31000: 2009.

Risk Management Strategy 2014 - 2017

Managing the Risk and Realising the Opportunity



“To achieve the Corporate Plan requires us all to be risk managers, each with:

- § courage to take informed risks;*
- § improved ability to recognise where, when and how to take up opportunities and also minimise negative risk impacts;*
- § confidence to demonstrate that risks and opportunities have been managed.*

Once we have done this we will have the right culture as an organisation and each of us will naturally practice risk management with the outcome that we are known and trusted as an organisation who seek to reduce potential pitfalls and deliver quality services.”

Penny Thompson, CBE,
Chief Executive, Brighton & Hove City Council

Purpose of the Risk Management Strategy 2014 - 2017

The council's Risk Management Strategy exists to co-ordinate activities to direct and control an organisation with regard to risk¹.

To accord with best practice the council's approach aims to get the right balance between innovation and change on the one hand, and the avoidance of shocks and crises on the other. This is why it can be useful to refer to risk management also as ROM (Risk & Opportunity Management).

Our approach to Risk Management will be proportionate to the needs, size and complexity of the council and appropriately recognise the impact on the public of council services and functions to help build trust particularly as we move towards more collaboration, altered service delivery at the council and across our public sector partners, financial challenge and legislative change.

Risk Management helps the council to achieve its objectives and demonstrate the council's values as illustrated in the table below.

Our Values	Benefits in managing risk effectively include:
Respect – Embrace diversity with kindness and consideration and recognise the value of everyone.	<ul style="list-style-type: none"> - Risk Management process enables risks to be recorded and escalated by all connected with council service delivery - Facilitated risk management consultancy enables all participants to hear and voice opinions to set out issues openly and achieve consensus on the relative importance of each
Collaboration – Work together and contribute to the creation of helpful and successful teams and partnerships across the council and beyond	<ul style="list-style-type: none"> - Enables joined up work with external parties such as strategic city partners; contractors delivering services on behalf of the council - City wide focus on significant risks and opportunities understand across public sector organisations in the city and shared risk management process used to direct resources and focus effort.

¹ Based on Risk Management: Principles & Guidelines ISO 31000:2009 which defines Risk as 'the effect on uncertainty on objectives' and further expands that 'an effect is a positive or negative deviation from what is expected'.

Our Values	Benefits in managing risk effectively include:
Efficiency – Work in a way that makes best use of our resources, always looking at alternative ways of getting stuff done and asking ‘How can I improve that?’	<ul style="list-style-type: none"> - Better focus on business objectives which affect achievement of the Council’s priorities as detailed in its Corporate Plan for 2011-15 - Improved strategic, operational and financial management through risk aware culture and opportunity management
Openness – Evaluate and communicate with honesty about our service and self, whenever appropriate. Accept where we have to change in order to improve	<ul style="list-style-type: none"> - Better and transparent decision making informed by risk and opportunity management - Business Plans and Project methods informed by assessment of risks and opportunities and recorded in a risk register - Personal accountability to manage risks and performance successfully through Performance & Accountability strand for culture change programme
Creativity – Have ideas that challenge the ‘tried and tested’, use evidence of what works, listen to feedback and come up with different solutions	<ul style="list-style-type: none"> - Increased ability to assess and take up opportunities which are likely to succeed, including through collaborative work with partners and external parties - Opportunity Management training available through Learning & Development Programme
Customer Focus – Adopt our ‘Customer Promise’ to colleagues, partners, members and customers. We will; Be easy to reach - Be clear and treat you with respect - Listen and act to get things done	<ul style="list-style-type: none"> - Risk Category Customer/Citizen; Social enables recording of risks and opportunities relating to customers in business plan risk registers which are monitored by the council’s performance management process - Confidence to change practice and methods of service delivery to improve outcomes for the city

Risk Management is a robust, systematic and documented process which contributes to the council’s Corporate Governance Framework and enables it to have an overview of how risks (such as threats or issues which could prevent achievement of objectives) and positive opportunities (such as those connected

with innovation and working with others creatively to achieve objectives) is managed and responds to better protect the council and the community of Brighton and Hove².

Aims of the Risk Management Strategy

To bring openness, transparency and consistency in understanding what risks and uncertainties the Council, working with other organisations in the city, is facing.

To identify and prioritise issues and plan to deliver improvements to effectively manage negative risks; or enhance positive opportunities to achieve the Council's objectives and city outcomes.

Strategic Objectives & Aims for Risk Management 2014 – 2017

The Risk Management Strategy will seek to achieve objectives in the following four key areas:

1. Modernising the Council by using risk management
2. Enable a risk aware culture which manages risks and takes up opportunities
3. Continually improve and embed risk management into the existing processes of the council
4. Work to increase the capability of services to plan for unexpected events; meet service expectations; and manage business activities

For each key area, a summary of the current position is set out below in 'Where we are now?' then, in Appendix 2, proposed actions over the next three years are detailed.

Strategic Objective 1. Modernising the council by using risk management.

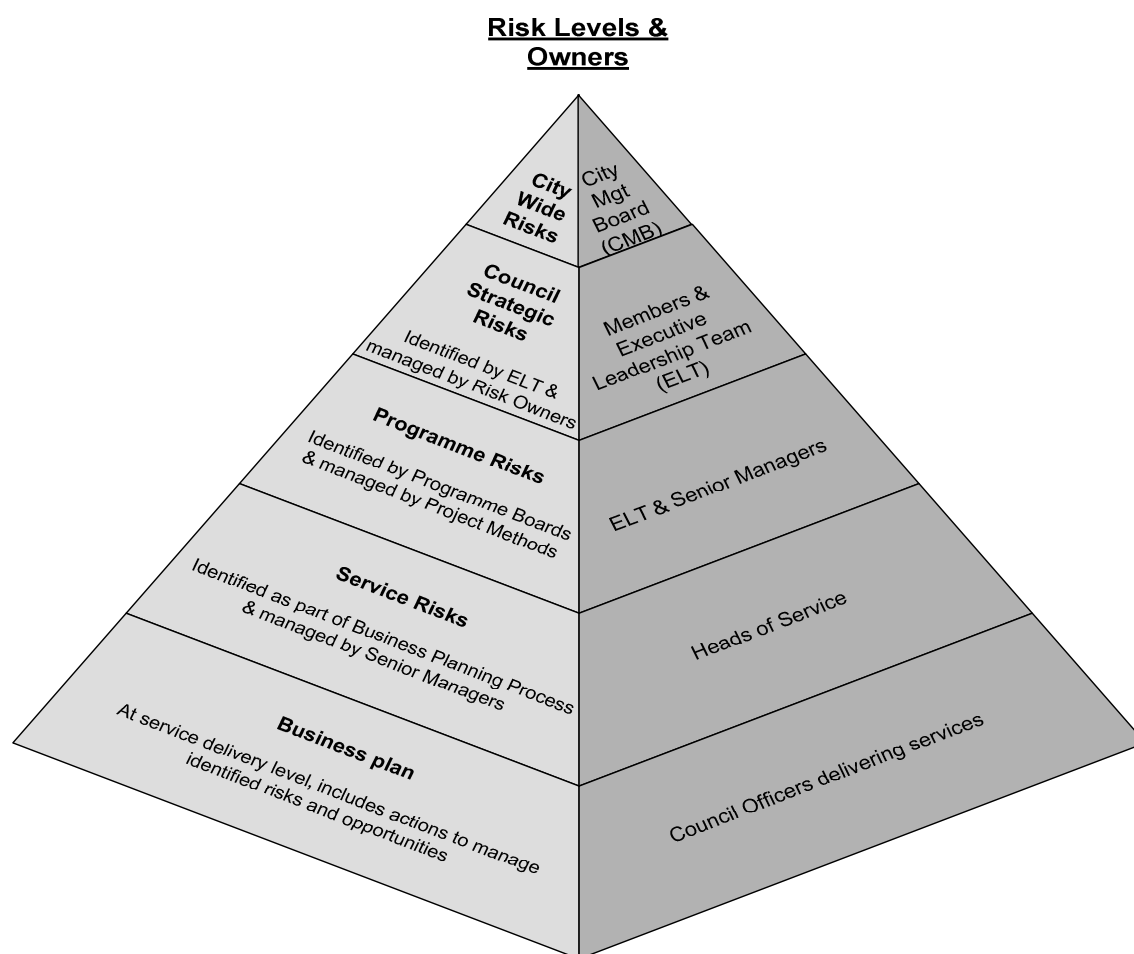
Strategic Aim: The council will use risk management to enable open and transparent decisions; prioritise resources; and improve performance management to achieve outcomes

Where are we now?

1. The council recognises that it operates in an uncertain world, where the people, environment and communities of the city may be at risk. It has had a Risk Management Strategy since 1998 and has a dedicated resource, the Risk Manager, to co-ordinate activity.
2. It recognises risk management as a living framework with a risk management process (see Appendix 3) which is a tested, understood and shared method to review priorities or challenge performance towards achievement of

² See [Brighton & Hove City Council Corporate Plan 2011 -2015](#) for council priorities, and [Brighton & Hove Sustainable Community Strategy](#)

outcomes³. This applies across all levels of its activities as illustrated in the diagram below



3. Programmes to modernise the council are overseen by the Modernisation Board⁴ and adopt the risk management process which provides transparency and consistency for each, as part of the project management process.

4. The assessment and reporting of risks is well established:

- The Executive Leadership Team (ELT) review the Strategic Risk Register every six months
- The Strategic Risk Register is discussed and reported to elected Council Members at the Leaders' Group, the Chairs/Opposition Spokesperson meetings
- The Audit & Standards Committee monitor the Strategic Risk Register, Strategic Risk Management Action Plans which receive focus, by way of questioning the Risk Owners

³ The Council and city partners have been informed by the risk management process to begin drafting a city wide risk register and in 2012 worked together using risk management methodology to inform performance challenge aimed at improving outcomes on city issues.

⁴ The Modernisation Board is a senior officer Board chaired by the Chief Executive to oversee programmes to deliver Corporate Plan objective 4 Modernising the council

- Risk Management is linked to other corporate governance reporting arrangements and informs processes across the council which determine action and allocate resources

Strategic Objective 2. Enable a risk aware culture which manages risks and takes up opportunities

Strategic Aim: The council, and in its work with partners, uses risk management to be better at anticipating and/or responding to changes affecting our operating environment

Where are we now?

1. Through reports to and agreement of the **City Management Board (CMB)**, formed of the Chief Executives of the public sector organisations across the city, work has begun to identify city wide risks and develop a risk register which will link to the city wide performance reporting (the city wide performance and risk management framework). This work is facilitated by the council's Risk Manager, and CMB have authorised representatives from their organisations to form a city wide risk representatives group to develop Risk Management Action Plans⁵.
2. Council Members are informed by risk and opportunity implications in reports submitted for decision making, the Risk Management Strategy is approved by **Policy & Resources Committee**; the practical application of the Risk Management process to the most important uncertainties faced by the council are assessed by the **ELT** and reported to the **Audit & Standards Committee** for monitoring on a six monthly basis via reports for information to the **Leaders' Group** and **Spokesperson/Opposition Chairs Group**.
3. The council's business planning process considers service objectives, linked to the Corporate Plan, and requires Heads of Service and their management team to apply the risk management process to create a risk register before allocating actions and targets to teams and individuals. Each business unit at the council has access to advice, and facilitation, if required from the Risk Manager to ensure consistency and provide challenge and quality control. Internal Audit tested Service Level Risk Management Arrangements for 2013/14 and concluded a substantial level of assurance.
4. The council's Risk Management Strategy work is informed by and is supported by specialist risk discipline work as provided by the civil contingencies team (emergency response and business continuity planning; public health; financial planning including insurance; and health and safety.

⁵ E.g. in 2014/15 city wide risk CW15 Taking all opportunities to attract available monies for the city and share resources

Background – HM Government is forecasting to continue to reduce grant funding over the next spending review period and thus local public agencies must be reduced, become more efficient or find alternative funding in order to maintain the health and well being of city residents and in supporting the city's infrastructure underpinning the business economy.
Potential Risk Scenario – The health and well being of resident declines, the economic prosperity and employment resilience of the city reduces unless City partners think creatively; are committed to sharing resources for the benefit of the city; and take all available steps to attract available monies.

All these disciplines have close contact with services to provide operational risk.

5. Risk and opportunity management considerations have been applied to the Community Engagement work being led by the council, and involving the community groups across the city.
6. Risk Management training is available to **all council officers** through information on the intranet (the Wave) and bespoke e-learning

Strategic Objective 3. Continually improve and embed risk management into the existing processes of the council

Strategic Aim: The council, and in its work with partners, uses risk management to be better at anticipating and/or responding to changes affecting our operating environment

Where are we now?

1. The risk management process is continually reviewed as part of application of risk management during creation of risk registers, project plans and from its work with partners.
2. The council's Risk Manager is well connected with learning organisations on risk management and is the public sector risk representative of the Institute of Risk Management⁶.
3. The council's Learning & Development Programme offers risk management training for officers and a bespoke e-learning package is available on the council's intranet.

Strategic Objective 4. Work to increase the capability of services to plan for unexpected events; meet service expectations; and manage business activities

Strategic Aim: Council services are resilient to unexpected event(s) and able to provide assurance on business continuity readiness.

Where are we now?

1. The council has a dedicated team, the Civil Contingencies Team, to lead and assist services to prepare for unexpected events.
2. A Senior Civil Contingencies Officer co-ordinates activity, provides direction and works with services to oversee production of business continuity plans which consistently identify and plan to mitigate business continuity threats which may impact on service delivery.

⁶ Two half day meetings per year at the CIPFA Better Governance Forum Advisory Panel.

3. Business Continuity Plans and the guidance are regularly updated, the latest revision was in December 2013.
4. The Council has made arrangements for temporary accommodation for re-location of services in the event of service disruption. This is tested in real and practice situations, and improvements are made as necessary.

Further information is set out in Appendix 2 which details proposed actions over the next three years.

Strategic Objective & Aim	2014/15 and <i>Outcome Measures</i>	2015/16	2016/17
<p>1. Modernising the council</p> <p>The council will use risk management to enable open and transparent decisions; prioritise resources; and improve performance management to achieve outcomes.</p>	<p>1. Work with Performance Team to maximise the use of Interplan software to integrate links between risks into business plans at service delivery level <i>Outcome measure: relevant officers in services access risk register as part of their 2014/15 business plan via Interplan; and additionally all business plans with integrated risk registers are available for all officers via the intranet (the Wave)</i></p> <p>2. Work with the Performance Team to deliver Interplan training programme for managers and nominated staff to introduce linking of risk management actions to performance reporting <i>Outcome measure: Interplan performance reports are used to track actions and input from officers across all business plans including actions to manage risks</i></p> <p>3. The council's Learning Development Programme currently offers risk management training which will be continued, but the offer will be extended by integrating risk management within Induction; and Being a Manager courses <i>Outcome measure: Number of sessions; attendees and feedback forms monitored as part of Learning & Development programme reports</i></p> <p>4. Provide an overview of Modernisation Programme risk registers, regularly updated by responsible officers and quality checked by the Risk Manager, to receive consideration <i>Outcome measure: Programme plan actions include those to address risk and opportunities and are performance managed</i></p>	<p>As for 2014/15 plus:</p> <p>a) Improve links between financial management information, performance management information and risk management information</p>	<p>As for 2015/16 plus:</p> <p>b) Improve links with city wide partners on city wide risks on aspects of financial management which affect delivery of council services</p>

Strategic Objective & Aim	2014/15 and <i>Outcome Measures</i>	2015/16	2016/17
<p>2. Enable a risk aware culture which manages risks and takes up opportunities.</p> <p>The council, and in its work with partners, uses risk management to be better at anticipating and/or responding to changes affecting our operating environment.</p>	<p>1. Promote method to enable accountability, escalation methods and understanding of risk reporting; and where there are unexpected outcomes or failures from taking risks and opportunities, be accountable and learn and improve <i>Outcome measure: Track communications and report number of escalated risks and actions agreed by the Officers' Governance Board⁷</i></p> <p>2. Continue with partnership working to identify and develop the city wide risk approach; and also seek further commitment across organisations and sectors to reflect risk and opportunity in the governance and management arrangements that support major change across organisations <i>Outcome measure: City Management Board receive and consider regular updates on risk management action plans and city wide risks within City Performance Plan reports</i> <i>Outcome measure: Major Change projects across organisations are informed by a shared risk management process and risk register</i></p> <p>3. Review the risk management process and incorporate improvements from practice and initiatives in other sectors to enable a risk process and culture that reflects the council's activities and partners across the sectors with which it relates to; and assist work to enable better 'collaboration between communities, the Third Sector and the council to improve the design and delivery of public services, and maximise the impact of public investment' <i>Outcome measure: Revisions to Risk Management process to improve cross-organisational focus reported at year end</i></p>	<p>As for 2014/15 plus:</p> <p>a) Improve links between financial management information, performance management information and risk management information</p>	<p>As for 2015/16 plus:</p> <p>b) City Management Board priority and resource setting informed by consideration of risks and opportunities and regularly monitor progress</p>

⁷ Officers' Governance Board is a group of council officers meeting at least 4 times a year. It is chaired by the Executive Director, Finance & Resources with representation by the Head of Legal Services; the Principal Audit Manager; and the Risk Manager.

Strategic Objective & Aim	2014/15 and <i>Outcome Measures</i>	2015/16	2016/17
	4. Reinstate the Opportunity Management Training offer in the Learning & Development Programme <i>Outcome measure: Number of training sessions and attendees, and record of risk management actions</i>		
3. Continually improving and embedding risk management into the existing processes of the council. The council is a learning organisation and will combine its resources and effort to meet challenges and succeed from a risk aware position which is continually reviewed, to enable services to be delivered and manage uncertainty as best it can.	1. Work with Human Resources & Organisational Development to incorporate risk management further into the Learning & Development Programme to develop capability around performance including responsibilities for risk management so that we are all equipped with knowledge and awareness of how we are all risk managers each with: <ul style="list-style-type: none"> • courage to take informed risks; • improved ability to recognise where, when and how to take up opportunities and also minimise negative risk impacts; • confidence to demonstrate the risks and opportunities have been managed <i>Outcome measure: Risk Management awareness better recognised as a skill required of employees</i> 2. Work with the Performance Team to 'roll out' Interplan to services to enable 'real time' updates and reminders to update progress <i>Outcome measure: Relevant performance reports include risk management actions from start date of implementation</i>	As for 2014/15 plus: a) Work to investigate transferrable learning and risk management methodology from private sector partners b) Improve focus of risk management with council services that work with community and voluntary sector and develop joint initiatives as part of the council's Community Engagement Strategy 2015-16	As for 2015/16 plus: c) Incorporate lessons learned and skills shared between public and private sector bodies into council risk management process where appropriate d) Redevelop training delivery to focus on feedback received and focus on opportunity management whilst assuring management of negative risks.

Strategic Objective & Aim	2014/15 and <i>Outcome Measures</i>	2015/16	2016/17
<p>4. Work to increase the capability of services to plan for unexpected events; meet service expectations; and manage business activities</p> <p>Council services are resilient to unexpected event(s) and able to provide assurance on its business continuity readiness.</p>	<p>1. Provide risk management advice to assist work between ICT and the Civil Contingencies Team to re-assess the links between service business continuity plans and IT Disaster Recovery arrangements. This will reflect ICT Governance requirements and the scale of organisational change as the council works towards achievement of Corporate Plan Objective 4, Modernising the Council <i>Outcome measure: ICT Disaster Recovery arrangements are made clear to services, and business plans and contingency arrangements are revised as necessary</i></p> <p><i>Outcome measure: Revised business continuity plans are tested, in key areas to be determined by ELT on the advice of the Civil Contingencies Team</i></p> <p>2. Provide risk management advice to assist work between the Civil Contingencies Team and the Performance Team to include actions from business continuity plans in the council's regular performance and risk management reporting using Interplan software system. <i>Outcome measure: Directorates and services undertake business continuity planning as part of their usual business and risk management planning activities. Information is 'real time' and accessible to all users of the system.</i></p> <p>3. Ensure that main programmes and projects delivering change are informed by a risk register; business continuity plan and project management arrangements and the impact of major changes on existing service arrangements are communicated and understood as part of the project management arrangements. <i>Outcome measure: Business Continuity is considered at all stages and at appropriate times in programme and project review.</i></p>	<p>As for 2014/15 plus:</p> <p>a) Work to integrate business continuity planning as part of Learning & Development Programme</p>	<p>As for 2015/16 plus:</p> <p>b) Work to investigate links and business continuity impacts of major changes between public sector organisations in the city</p>

Subject:	Targeted Budget Management (TBM 9) – Extract from the proceedings of the Policy & Resources Committee meeting held on the 13 February 2014		
Date of Meeting:	25 March 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 13 February 2014
COUNCIL CHAMBER, HOVE TOWN HALL**

DRAFT MINUTES

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

PART ONE

125. TARGETED BUDGET MANAGEMENT (TBM 9)

- 125.1 The Executive Director for Finance & Resources introduced the report, which set out the forecast outturn position as at Month 9 on the council's revenue and capital budgets for the financial year 2013/14. She noted that there was a slight reduction in the forecast overspend which stood at £0,753m and had been factored into the 2014 /15 Budget proposals and linked to the savings decisions and service pressures.

- 125.2 The Chair stated that he wished to thank everyone involved in improving the overall budgetary position and hoped that it would continue to see a reduction in the forecast overspend.
- 125.3 Councillor Littman noted that there were significant underspends in Children's Services and that there had been better results in parking income which had contributed to the reduction. However, there were also areas that needed further work for example the Community Care Budget which was overspending, and the Travellers Budget which had been affected by difficulties at Horsdean and with unauthorised encampments.
- 125.4 Councillor A. Norman acknowledged the work undertaken by officers to reduce the forecast overspend and asked for clarification in respect of the savings shown on page 100 relating to commissioning and contracts, the level of income from on-street parking on page 102, and the low take up for early years places for 2 year-olds and empty properties.
- 125.5 The Executive Director for Adult Social Care stated that she would provide a full response in writing as she did not have the information available, but noted that part of the savings in the social care budget were attributed to a vacant post.
- 125.6 The Executive Director for Environment, Development & Housing stated that he would provide a written response as a review was being undertaken in respect of the parking income and ideas were being explored with local businesses in relation to how take up for empty properties could be increased.
- 125.7 The Executive Director for Children's Services stated that the expected take up for early years places had not been as high and work was being undertaken to see how this could be improved and he would provide further detail in writing for Councillor Norman.
- 125.8 Councillor Morgan expressed his concern in relation to the under-achievement of off-street car parks and noted that he had previously raised problems with the under-use of these car parks and failure of equipment which enabled people to park for free.
- 125.9 The Chair noted the comments and that the Environment, Transport & Sustainability had reviewed the fees and charges for parking which remained frozen. However, he agreed that officers needed to look at the problem of barriers in off-street car parks not working properly. He then put the recommendations to the vote.
- 125.10 **RESOLVED:**
- (1) That the total forecast outturn position for the General Fund, which is an overspend of £0.939m be noted. This consists of £0.753m on council controlled budgets and £0.186m on the council's share of the NHS managed Section 75 services;
 - (2) That the forecast outturn for the Housing Revenue Account (HRA), which is an underspend of £0.309m be noted;

- (3) That the forecast outturn position for the Dedicated Schools Grant which is an underspend of £1.014m 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 to the report.

Subject:	Targeted Budget Management (TBM) 2013/14 Month 9		
Date of Meeting:	13 February 2014		
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 9 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 further improvements across many budget areas, including Adult Social Care and Section 75 services, with the position improving by over £0.500m since month 7. The underlying overspend on council controlled budgets as at Month 7 is £1.320m overspent which has been reduced to £0.753m through releasing all of the remaining General Fund risk provision of £0.567m.

2 RECOMMENDATIONS:

- 2.1 That the Committee note the total forecast outturn position for the General Fund, which is an overspend of £0.939m. This consists of £0.753m on council controlled budgets and £0.186m 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 £0.309m.
- 2.3 That the Committee note the forecast outturn position for the Dedicated Schools Grant which is an underspend of £1.014m.
- 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 7 Forecast Variance £'000	Directorate	2013/14 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(1,939)	Children's Services	59,214	57,487	(1,727)	-2.9%
3,189	Adult Services	63,080	65,428	2,348	3.7%
500	Environment, Development & Housing	45,469	45,706	237	0.5%
144	Assistant Chief Executive	12,964	13,187	223	1.7%
7	Public Health	1,816	1,826	10	0.6%
(824)	Finance, Resources & Law	38,590	37,614	(976)	-2.5%
1,077	Sub Total	221,133	221,248	115	0.1%
685	Corporate Budgets	9,785	10,423	638	6.5%
1,762	Total Council Controlled Budgets	230,918	231,671	753	0.3%

- 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

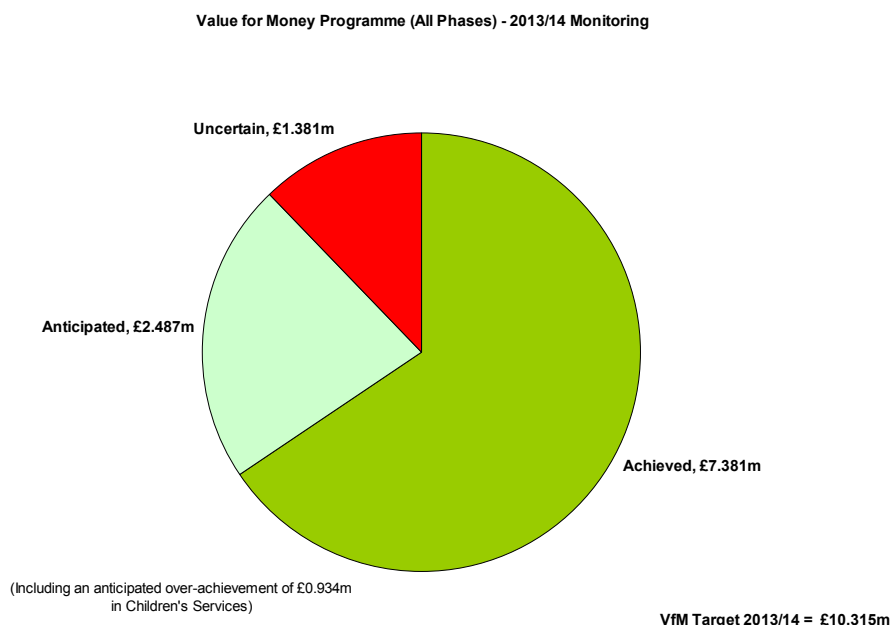
- 3.5 There are a number of budgets that carry potentially higher financial risks and therefore could have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict and where relatively small changes in demand can have 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 7 Forecast Variance £'000	Corporate Critical	2012/13 Budget Month 9 £'000	Provisional Outturn Month 9 £'000	Provisional Variance Month 9 £'000	Provisional Variance Month 9 %
(1,144)	Child Agency & In House	19,471	18,413	(1,058)	-5.4%
1,965	Community Care	41,438	43,313	1,875	4.5%
(43)	Sustainable Transport	(15,762)	(15,846)	(84)	-0.5%
(273)	Temporary Accommodation	1,402	1,145	(257)	-18.3%
(100)	Housing Benefits	(569)	(569)	-	0.0%
405	Total Council Controlled	45,980	46,456	476	1.0%

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.



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 7 Forecast Variance £'000	HRA	2013/14 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(272)	Expenditure	56,290	55,962	(328)	-0.6%
35	Income	(56,290)	(56,271)	19	0.0%
(237)	Total	-	(309)	(309)	

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 £1.014m 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 7 Forecast Variance £'000		2013/14 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
283	Section 75 NHS Trust managed S75 Services	12,070	12,256	186	1.5%

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 £0.627m.

Month 7 Forecast Variance £'000		2013/14 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Outturn Month 9 %
0	Children's Services	22,880	22,880	0	0.0%
0	Adult Services	2,328	2,328	0	0.0%
0	Environment, Development & Housing – General Fund	20,641	20,641	0	0.0%
(107)	Environment, Development & Housing - HRA	29,805	29,370	(435)	-1.5%
(160)	Assistant Chief Executive	8,134	7,974	(160)	-2.0%
0	Finance, Resources & Law	9,542	9,510	(32)	-0.3%
(267)	Total Capital	93,330	92,703	(627)	-0.7%

- 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 7 report.

Capital Budget Movement	2013/14 Budget £'000
Summary	
Budget approved at Month 7	100,066
Reported at this Committee since Month 7	(4,056)
New Schemes (to be approved)	704
Variations (to be approved)	1,075
Reprofiles (to be approved)	(4,078)
Slippage (to be approved)	(381)
Total Capital	93,330

- 3.16 Appendix 3 also details any slippage into next year. In total, project managers have forecast that £0.381m of the capital budget may slip into the next financial year and this equates to 0.41% 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 £0.567m 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 £10.123m 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, 55 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 to (£2.210m) and the council's share of this is (£1.887m). This includes the brought forward surplus from 2012/13 of (£0.497m) and the majority of the remaining surplus relates to a lower than budgeted caseload on council tax reduction discounts (£1.196m) and increased liability from new properties (£0.612m).
- 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 £0.753m. In addition, the council's share of the forecast overspend on NHS managed Section 75 services is £0.186m. 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 position at month 9 has improved considerably since month 7 due primarily to improvements in Adult Social Care and Environment, Development & Housing. At this stage of the year, the use of remaining one-off risk provisions of £0.567m is now appropriate to partially mitigate the position.
- 6.2 Executive Directors will continue to keep the position under close scrutiny and will take appropriate action to reduce spending, manage vacancies and agency expenditure, and develop financial recovery plans where necessary to improve the position as far as possible by the year-end.
- 6.3 For 2014/15, the budget proposals include consideration of current projections which is reflected in risk assessments and provisions, and provision of service pressure funding. The pressures on the Adult Social Care budget have been reviewed further since draft budget proposals for 2014/15 were presented to Policy & Resources Committee on 5th December. Although the current forecast has improved, projections indicate that pressures are likely to be persistent and higher than initially estimated and the revised budget proposals therefore provide for further service pressure funding of £1m; a total of £2.5m. Full details of risk provisions and service pressure funding are provided in the accompanying General Fund Revenue Budget report on this agenda.

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: 20/01/14

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: 20/01/14

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 7 Forecast Variance £'000	Service	2013/14 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
0	Director of Children's Services	177	177	0	0.0%
(64)	Education & Inclusion	6,240	6,142	(98)	-1.6%
(983)	Children's Health, Safeguarding and Care	33,464	32,612	(852)	-2.5%
(892)	Stronger Families, Youth & Communities	19,333	18,556	(777)	-4.0%
(1,939)	Total Revenue - Children	59,214	57,487	(1,727)	-2.9%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Education & Inclusion			
(172)	Home to School Transport	There is an underspend of £0.172m 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, November 463, December 472 and January 469. A detailed analysis has been undertaken with the budget holder for each area of the budget and these will continue to be monitored monthly.	The underspend relates to continued value for money savings. These savings are incorporated into in the 2014/15 budget proposals.
100	Adult Social Care moves	As part of the Connaught 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 potential overspends in Adult services.
(26)	Other	Minor underspend variances.	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Children's Health, Safeguarding & Care			
(357)	Social Work Teams	The Social Work Teams are currently projected to underspend by £0.357m in 2013/14 due to a number of vacant posts.	The savings proposals for 2014/15 include reducing the costs of the institutional care pathway based on the expected activity levels.
127	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 the Housing directorate, 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 £0.127m . This is broken down as an overspend of £0.209m for standard care leavers and an underspend of £0.082m 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 partnership working between Children's and Housing services. Increased activity in care leavers is linked to reductions in Looked After Children so spend in this area is supporting the VFM savings below.
(76)	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 net impact this will have on inter-agency adoption costs and therefore no budget variance has been included at this stage. The £0.076m underspend relates to regular adoption support payments and allowances which are currently running slightly below budgeted levels.	
(361)	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	Continuing the implementing a tiered approach to the procurement of placements reducing the proportion of high cost placements

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
		in IFAs (above) and an underspend of £0.361m in in-house placements.	
(290)	Contact Service	The underspend of £0.290m in this service is predominantly due to the use of sessional and agency staff being considerably less than anticipated in the budget.	
105	Data Retrieval	There is a potential budget pressure of £0.105m 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.
Stronger Families, Youth & Communities			
(697)	Corporate Critical - Children's Agency Placements	<p>The current projected number of residential placements (27.59FTE) is broken down as 23.52FTE social care residential placements (children's homes), 3.65 FTE schools placements, 0.41 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 is slightly higher than the budget although 1.14 FTE of these are in 'semi independence' with a considerably reduced unit cost. Other residential placement types have been low compared with historic averages, although numbers have increased in recent months. Overall the number of placements is currently 2.71 FTE below the budgeted level, and this combined with the unit cost savings described above result in an estimated underspend of £0.614m.</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, although numbers have ceased to fall in recent weeks. Currently there are 167.21 projected FTE placements. Although this represents a reduction</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>of 10.0% on last year, the budget strategy included a target for switching the emphasis from IFA to in-house carers which has not been achieved. On that basis budget for IFA placements is 154.00 FTE which is currently being exceeded by 13.21 FTE placements resulting in an anticipated overspend of £0.116m.</p> <p>The current projected number of disability placements is 17.41 FTE with an average unit cost of £1,748.68. The number of placements is 3.91 FTE above the budgeted level. The average weekly cost of these placements is £469.59 lower than the budgeted level and the combination of these two factors together with a projected underspend of £0.037m on respite placements, results in an underspend of £0.011m.</p> <p>It is currently anticipated that there will be 1.03 FTE secure (welfare) placements and 1.64 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 are currently two children in a secure (welfare) placement and one in a secure (criminal) placement resulting in a projected underspend of £0.188m</p>	<p>and preventive services and commissioning a transformation change programme to support the re-structuring of social work services.</p> <p>For 2014/15, the current position indicates increased risk due to an increase of 5 placements late in the financial year. The position is being monitored closely and may result in early pressure on the budget but is not expected to impact on the overall achievement of budget proposals and savings for next year which currently include service pressure funding of £1.5m. The success of the Early Help strategy will be crucial to the ongoing management of this budget,</p>
(80)	Other	Minor underspend variances	

Adult Services – Revenue Budget Summary

Month 7 Forecast Variance £'000	Service	2013/14 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
1,893	Adults Assessment	47,833	49,313	1,480	3.1%
1,300	Adults Provider	14,762	15,856	1,094	7.4%
(4)	Commissioning & Contracts	485	259	(226)	-46.6%
3,189	Total Revenue - Adult	63,080	65,428	2,348	3.7%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
		The key variances across Adult Social Care are as detailed below:	Further plans are being developed and mitigating action is being taken to reduce these forecast overspends.
Adults Assessment			
see below	Assessment Services	Assessment Services is showing an overspend of £1.480m (3.1% of net budget) at Month 9, which is an improvement of approximately £0.400m from Month 7. The overspend is broken down as follows: -	
1,390	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,	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

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
		there is a significant risk that units and/or alternative options will not be deliverable in time to achieve the savings target for 2013/14.	<p>2013/14.</p> <p>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.</p> <p>The pressures on the Adult Social Care budget have been reviewed further since draft budget proposals for 2014/15 were presented to Policy & Resources Committee on 5th December. Current projections indicate that pressures are likely to be higher than initially estimated and revised budget proposals therefore provide for further service pressure funding of £1m; a total of £2.5m.</p>
(26)	Corporate Critical - Community Care Budget (Learning Disabilities)	Learning Disabilities are reporting an underspend of £0.026m at Month 9, which is a slight decrease from Month 7. 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 £0.766m full year effect, of which £0.187m 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.	The risk in relation to OR claims has been taken into account in the decision referred to above to increase the service pressure funding in 2014/15,
565	Corporate	Under 65's are currently showing an overspend of £0.565m (a	Continuing to explore alternative

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
	Critical - Community Care Budget (Under 65's)	decrease of £0.150m from Month 7 following realignment of Financial Recovery Plan targets between this budget and Older People). 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 131 more than budgeted (increase of 19%).	models of provision and funding.
(54)	Corporate Critical - 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.	
(395)	Support & Intervention Teams	The forecast underspend now includes one-off release of Winter Pressure funding carried forward from 2012-13 of £0.353m and vacancy management savings identified across the service to help the overall TBM position across Assessment.	
Adults Provider			
1,094	Adults Provider	<p>The forecast overspend includes an assessed risk of £0.840m 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 (£0.448m) which has been partly offset by one off and recurrent Department of Health Social Care funding (£0.262m), projected shortfalls on Residents' Contributions (£0.048m) and other minor</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 £1.094m.</p> <p>See above in relation to 2014/15 service pressure funding assumptions.</p>

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
		underspends of £0.020m.	
Commissioning & Contracts			
(226)	Commissioning & Contracts	A detailed review of all areas of spending across the service has identified savings against contracts with voluntary organisations and vacancy management savings.	

Environment, Development & Housing - Revenue Budget Summary

Month 7 Forecast Variance £'000	Service	2013/14 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
257	Transport	(3,983)	(3,799)	184	-4.6%
178	City Infrastructure	27,994	27,994	0	0.0%
20	City Regeneration	1,197	1,230	33	2.8%
37	Planning & Public Protection	4,515	4,542	27	0.6%
492	Total Non Housing Services	29,723	29,967	244	0.8%
8	Housing	15,746	15,739	(7)	0.0%
500	Total Revenue - Environment, Development & Housing	45,469	45,706	237	0.5%

Explanation of Key Variances:

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Transport			
(84)	Corporate Critical – Parking Operations	<p>Overall the corporate critical parking budget is forecast to underspend by £0.084m. The main components of this are:</p> <ul style="list-style-type: none"> London Road car park is expected to achieve additional income of £0.177m largely as a result of letting an additional 220 season ticket spaces to a large local business. Surplus permit income of £0.147m. This has been caused by increased demand for permits, partially trader permits where 	Actual income is monitored and reported on a monthly basis as part of the TBM process. Therefore any significant variations to the forecast are reported and acted upon regularly.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		<p>removal of the waiting list has increased demand and also a general migration from on-street parking to permits.</p> <ul style="list-style-type: none"> • An expected £0.105m surplus on leased car park income. • On-street parking income received to date and the forecast tariff model indicates a potential under achievement of income by approximately £0.009m. There has been an improvement in the forecast due to in part to the impact of free parking in December being less than anticipated. • There is a forecast under-achievement of income of approximately £0.361m relating to other off street car parks. It is possible that changes in prices have resulted in greater movement to on street parking. • There is a forecast under-achievement of £0.165m 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. • A forecast underspend of £0.045m on the cash collection contract. • Other minor underspends of £0.039m. 	<p>The budget proposals for 2014/15 do not assume any increase in parking income,</p>
140	Highways	<p>An overspend of £0.100m is anticipated on the safety maintenance reactive budget as a result of increased repairs following damage due to the recent storm and adverse weather. In addition there are smaller forecast pressures totalling £0.047m which include cost of external specialists</p>	<p>The service will continue to identify potential salary variances and cost recovery to fund the highlighted pressures.</p>

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		<p>to undertake street work inspections (£0.020m) and legal and counsel costs (£0.015m).</p> <p>There is also a pressure of approximately £0.069m on staff and agency costs. This has decreased since Month 7 partly due to changes in staff provision of the out of hours services where the cost of temporary cover is less than the original budgeted cost. The employee costs overspend is offset by additional income generated through inspection work and licences – total income being £0.076m greater than budgeted.</p>	
128	Highways Engineering	<p>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.</p>	<p>No reasonable mitigations have been identified and this has been factored into assumptions for service pressure funding requirements for 2014/15.</p> <p>To manage this pressure in future, £0.100m service pressure funding has been provided for in the 2014/15 budget proposals to recognise the reduced ability of the service to recover costs through recharging to capital schemes.</p>
City Infrastructure			
(161)	City Infrastructure Management & Admin	<p>A review of the budgets has identified various potential underspends in relation to vacancy management, supplies and services and partnership contributions from other local authorities for management and administration support in the year.</p>	
95	CityClean	<p>An overspend of £0.114m has been reported within the City Clean Operations section. The majority of this relates to the impact of industrial action, which has an estimated cost to the service of</p>	<p>The use of agency staff across the street cleansing service will be reviewed as a potential to reducing the variance across the remainder of the year.</p>

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		<p>approximately £0.078m. Other variances relate to additional costs expected due to provisions for new rounds bedding in and service redesign.</p> <p>There is an expected underspend within the Contracts and Projects team of approximately £0.021m. This largely relates to variances in staff budgets and expected underspend on the cost of maintenance and cleaning of public conveniences. Various sites have been temporarily shut due to major development or have transferred to external management. This variance has not previously been reported in the TBM process due to the full year implications being unclear.</p>	
66	City Parks	<p>There is a forecasted £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.</p>	<p>Rottingdean has been marketed twice but a suitable tenant is still being sought.</p> <p>To manage this pressure in future, £0.250m service pressure funding has been provided for in the 2014/15 budget proposals to recognise a number of income pressures across services including £0.050m for City Parks.</p>
City Regeneration			
18	Economic Development	<p>Two variances have been identified within this budget:</p> <ul style="list-style-type: none"> • Unbudgeted funding for contributions to the Key Cities partnership totalling £0.008m. • £0.010m of costs associated to the Building Futures project originally anticipated to be recoverable from the grant funding. 	<p>The Key Cities contribution has been factored into assumptions for service pressure funding requirements for 2014/15.</p> <p>It is not considered appropriate to reduce expenditure elsewhere within the budget as this will impact on the committed initiative programmes.</p>
15	Sustainability	<p>Pressure of £0.015m relates to an unrecoverable</p>	<p>This pressure has been factored into</p>

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		income budget to cover the cost of staff time.	assumptions for service pressure funding requirements for 2014/15.
Planning & Public Protection			
(10)	Development Planning	<p>There is a forecast overspend of £0.063m within Development Management which largely relates to employee costs of covering various long term sickness and maternity absences. The income forecast is expected to be close to budget for the year. This 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 £0.017m pressure has been identified within the Building Control service. This is a forecast net position of the service, after considering underspending on the salary budget and underachievement on income.</p> <p>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>	<p>Work to improve income forecasting, supported by the finance team, means that income forecasts are now considerably more accurate.</p> <p>It is not considered appropriate to reduce employee expenditure as this would have an impact on the ability of the service to generate income.</p> <p>There are underlying income pressures in this service and to manage this pressure in future, £0.250m service pressure funding has been provided for in the 2014/15 budget proposals to recognise a number of income pressures across services including £0.100m for planning and licensing income pressures.</p>
37	Public Protection	<p>A £0.078m forecast overspend reflects the anticipated variance on licensing income budgets where there is little scope to generate additional income, and variances on the employee budget.</p> <p>This is partly offset by a salary underspend of £0.041m within the Trading Standard service where vacancies are currently being managed.</p>	<p>Forecasts will be reviewed monthly to determine if additional income and cost reductions can offset the pressure. The possibility of recovering potential costs of site investigation at Saltdean is being explored.</p>
Housing			
(257)	Corporate	There is a projected improvement on Housing	Current projections indicate potential service

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
	Critical Temporary Accommodation & Allocations	Benefit collection based on current income levels. Costs related to the 'spot purchase' of Bed & Breakfast have been managed down below budget. Welfare reforms have not had as much impact as anticipated in 2013/14. That said, it remains prudent to closely monitor the impact of Welfare Reforms (including Universal Credit) and to anticipate a need for bad debt provision in 2014/15 arising from default on rent payment and eviction of tenants in receipt of benefit who are currently in private rented sector accommodation.	pressures of up to £0.640m in 2014/15 in relation to increasing numbers of 'acceptances' and rising costs of accommodation. This has been provided for in the 2014/15 budget proposals.
134	Travellers	There is minimal change in the forecast from Month 7. There is a £0.041m overspend on the Horsdean site 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 reflects the decision not to install a new CCTV system at Horsdean in 2013/14 and the 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 and increased costs for the removal and storage of vehicles.	The financial recovery process in place has helped to significantly reduce the projected overspend. Efficiencies are being found from office costs, site running costs and a negotiated reduction in 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. To manage this pressure in future, £0.100m service pressure funding has been provided for in the 2014/15 budget proposals to recognise increasing costs in this service.
19	Supported Accommodation	The £0.019m pressure is due mainly to staffing costs.	We will look to find efficiency services from elsewhere to mitigate this pressure.
97	Other Housing	A review of the capitalisation of legitimate staff costs against the remaining private sector renewal / disabled facilities grant capital schemes has identified that £0.030m of revenue cost will be capitalised in 2013/14, therefore reducing the	We will look to find efficiency services from elsewhere to mitigate this pressure.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		pressure to £0.140m. There are offsetting underspends in Housing Options due to reduced staffing costs, including vacant posts and reduced costs relating to sickness absence.	

Assistant Chief Executive - Revenue Budget Summary

Month 7 Forecast Variance £'000	Service	2013/14 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
3	Communications	791	794	3	0.4%
0	Royal Pavilion, Arts & Museums	3,773	3,773	0	0.0%
152	Tourism & Venues	1,599	1,830	231	14.4%
(11)	Policy, Civic, Performance & Communities	5,910	5,899	(11)	-0.2%
0	Sport & Leisure	891	891	0	0.0%
144	Total Revenue - Assistant Chief Executive	12,964	13,187	223	1.7%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Communications			
3	Communications	Minor overspend.	
Royal Pavilion, Arts & Museums			
0	Royal Pavilion, Arts & Museums	Break-even position reported at Month 9.	
231	Tourism & Venues	Tourism & Venues are reporting a pressure of £0.231m at Month 9, which is an increase of £0.079m from Month 7 (due to revised income forecast from bookings) and 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	The Service is reviewing all areas of expenditure and has introduced a spending freeze to reduce costs as much as possible to offset the income shortfall

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		business opportunities the overall pressure reported this financial year is much improved (£0.194m at Month 9). There is a pressure of £0.037m against Tourism relating to an overspend on staffing costs and reduced advertising receipts against Marketing.	
Policy, Civic ,Performance & Communities			
(11)	Policy, Civic, Performance & Communities	Minor underspend reported at Month 9.	
Sport & Leisure			
0	Sport & Leisure	Sport & Leisure are reporting a break-even position at Month 9. 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 7 Forecast Variance £'000	Service	2013/14 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
0	Public Health	158	158	0	0.0%
0	Community Safety	1,481	1,481	0	0.0%
7	Civil Contingencies	177	187	10	5.6%
7	Total Revenue - Public Health	1,816	1,826	10	0.6%

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 is forecasting a break-even position at Month 9.	
Civil Contingencies			
10	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.

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Resources & Finance and Law - Revenue Budget Summary

Month 7 Forecast Variance £'000	Service	2013/14 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(476)	City Services	13,690	13,184	(506)	-3.7%
(100)	Housing Benefit Subsidy	(569)	(569)	0	0.0%
0	HR & Organisational Development	4,371	4,351	(20)	-0.5%
250	ICT	6,865	7,090	225	3.3%
(342)	Property & Design	4,476	4,014	(462)	-10.3%
(125)	Finance	6,449	6,310	(139)	-2.2%
(31)	Legal & Democratic Services	3,308	3,234	(74)	-2.2%
(824)	Total Revenue - Resources & Finance	38,590	37,614	(976)	-2.5%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
City Services			
(506)	City Services	Revenues and Benefits are forecasting an underspend of £0.689m, an increase of £0.021m compared to the previous month. This is the first year of budgeting for the new welfare reforms, and the delays and complexities of the schemes have been difficult to project. The underspends have been mostly from payments from the Local Discretionary Social Fund (£0.371m), Council Tax Relief (£0.226m), and other discretionary discounts and payments	To reflect actual expenditure in 2013/14, it is proposed to reduce the recurrent Council Tax Reduction Discretionary Fund from £200k per annum to £100k per annum in 2014/15 which is still in excess of the current level of awards.

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Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		<p>(£0.140m) due to initial take up being lower than anticipated. However, these lower than expected costs have helped shape the budget planning process for 2014/15. Elsewhere in the service, there are higher than expected staff costs of £0.062m, partly offset by net minor underspends of £0.014m.</p> <p>The 2013/14 included challenging new income targets for life Events which it is working hard to meet in full. This month the overall expected pressure has risen to £0.183m (following several months of modest improvement), due mostly to a further reduction in anticipated income within the Registrar's service. This service is now projecting a pressure of £0.124m, though there are plans in place to address this.</p> <p>Income pressures from the Crematorium, mostly due to the impact of major works from the Mercury Abatement scheme, are forecast at £0.117m. However, vacancy management is likely to offset this by £0.075m and one-off resources of £0.045m have also been made available to address the pressure. Furthermore, the works are due to complete in early 2014 when the capacity of the service is expected to return to normal. Elsewhere in Bereavement Services, plot sales at the Woodland Valley Burial Site have been less than expected,</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 improve again during the remainder of this financial year, the full effect of the recovery plan may not be seen until 2014/15.</p>

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Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		resulting in a shortfall there of £0.050m.	
Housing Benefit Subsidy			
0	Corporate Critical - Housing Benefit Subsidy	The Housing Benefit Subsidy budget is expected to achieve a breakeven position. This is a deterioration of £0.100m compared to Month 7. The main reason for this is that the overall position on the recovery of overpaid benefit is worse than previously forecast.	
HR & Organisational Development			
(20)	HR & Organisational Development	Human Resources and Organisational Development identified a pressure of £0.124m following an analysis of the service's budget to realign staff estimates and income. This pressure has now been fully addressed for 2013/14 through a range of measures including holding vacancies, business process improvement efficiencies and reductions in the numbers attending forecast training and professional qualifications for 2013/14. It is anticipated that the HR & OD service will have £0.020m underspend for 2013/14.	
ICT			
225	ICT	The forecast at Month 9 is an overspend of £0.225m made up of: <ul style="list-style-type: none"> 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 (£0.140m). Additional staffing costs arising from information security compliance urgent 	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 pressure assumptions for 2014/15.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		temporary contractors (£0.015m). <ul style="list-style-type: none"> • 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). 	There is a more detailed report on the ICT strategy and financial implications elsewhere on this agenda.
Property & Design			
(462)	Property & Design	The commercial rent forecasts are being maintained with income collection performing well despite the uncertain economic climate for rental properties on the high street.	Additional income from the commercial portfolio is incorporated into the budget proposals.
Finance			
(139)	Finance	The overall 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			
(74)	Legal & Democratic Services	The Forecast under spend in Legal Services has increased by £0.043m to £0.074m since Month 7, due to improving income generation/collection and vacancy control.	

Appendix 1 – Revenue Budget Performance

Corporate Budgets - Revenue Budget Summary

Month 7 Forecast Variance £'000	Service	2013/14 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
(150)	Bulk Insurance Premia	3,167	2,917	(250)	-7.9%
54	Concessionary Fares	10,144	10,198	54	0.5%
(25)	Capital Financing Costs	9,330	9,330	0	0.0%
0	Levies & Precepts	158	158	0	0.0%
1,355	Corporate VfM Savings	(1,126)	229	1,355	120.3%
(587)	Risk Provisions	3,030	2,463	(567)	-18.7%
38	Other Corporate Items	(14,918)	(14,872)	46	0.3%
685	Total Revenue - Corporate Budgets	9,785	10,423	638	6.5%

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Bulk Insurance Premia			
(250)	Bulk Insurance Premia	The underspend relates to a lower level of insurance claims expected to be paid during this year.	A saving (reduced commitment) of £0.100m has been built into the budget for next year to reflect lower payments on claims based on current trends.
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	Underspends on other corporate budgets, notably bulk insurance premia, will be used to mitigate this pressure. For 2014/15, the overall budget for reimbursing local bus operators for the cost of free travel for pensioners and the disabled is forecast to increase by 4.6% to £10.6m next year.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		remaining £0.025m overspend relates 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.	Additional (committed) funding of £0.270m is provided for in the 2014/15 budget proposals to manage this impact. More information is provided in the General Fund Revenue Budget report on this agenda.
Capital Financing Costs			
0	Capital Financing Costs	The council will not undertake new external borrowing during 2013/14 to fund schemes such as the Keep and the work styles programme but has instead funded these schemes temporarily from internal reserves. This has resulted in reduced costs but this is offset by low investment rates and currently the budget is forecast to break-even.	
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			
(567)	Risk Provisions & contingency	The risk provision budget includes the following main items: <ul style="list-style-type: none"> Pay and Pension provisions of £1.934m. All remaining funds will be transferred to reserves to support future restructures or anticipated increases in 	Risk provisions have been reviewed and, where possible, released to support the 2014/15 budget. The General Fund Revenue Budget report on this agenda provides more information.

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
		<p>pension contribution costs.</p> <ul style="list-style-type: none"> • Risk provisions of £0.587m of which £0.020m is potentially required to fund the cost of clearing the seafront after the recent storms. • Contingency and other items of £0.509m, mostly relating to Welfare Reform. <p>The remaining risk provision of £0.567m has been utilised to partially mitigate the forecast outturn overspend. The remaining overspend must be taken into account when setting the 2014/15 budget.</p>	
Other Corporate Items			
46	Other Corporate Items	Variances on unringfenced grants.	

Appendix 1 – Revenue Budget Performance

Housing Revenue Account - Revenue Budget Summary

Month 7 Forecast Variance £'000	Housing Revenue Account	2013/14 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
14	Employees	8,594	8,536	(58)	-0.7%
4	Premises – Repair	11,029	11,058	29	0.3%
(171)	Premises – Other	3,363	3,170	(193)	-5.7%
23	Transport & Supplies	2,211	2,248	37	1.7%
92	Support Services	2,024	2,136	112	5.5%
(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	7,896	(252)	-3.1%
(272)	Net Expenditure	56,290	55,962	(328)	-0.6%
17	Dwelling Rents (net)	(49,236)	(49,219)	17	0.0%
(64)	Other rent	(1,269)	(1,333)	(64)	-5.0%
95	Service Charges	(4,932)	(4,837)	95	1.9%
(15)	Supporting People	(465)	(480)	(15)	-3.2%
2	Other recharges & interest	(388)	(402)	(14)	-3.6%
35	Net Income	(56,290)	(56,271)	19	0.0%
(237)	Total	-	(309)	(309)	

Explanation of Key Variances

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
Housing Revenue Account			
(58)	Employees	The expenditure for employees is forecast to underspend by £0.058m. This is mainly due to vacancy underspends across the Housing Management Service.	
29	Premises - Repairs	The main variations forecast within the Premises Repairs area include forecast underspends for Responsive Repairs of £0.072m and Empty Property Repairs of £0.085m as a result of cost efficiencies achieved with the Repairs Partnership. These underspends are offset by increased expenditure of £0.200m for Fire Safety surveys.	This is currently being managed within the service by underspends elsewhere in the HRA.
(193)	Premises-other	The forecast expenditure for gas and electricity has reduced by £0.183m due to lower contract inflationary increases and less usage than originally budgeted for.	
37	Transport & Supplies	Additional costs of £0.020m for supporting regeneration at Kingswood and Milner, working with families of multiple deprivation. Additional surveyors' fees of £0.020m in relation to Mutual Exchanges.	This is currently being managed within the service by underspends elsewhere in the HRA.
112	Support Services	Additional Legal (£0.090m) and Human Resources (£0.030m) support 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.
(252)	Capital Financing Costs	This forecast underspend is due to a reduction in interest costs payable as a result of lower levels of borrowing than originally budgeted for.	

Appendix 1 – Revenue Budget Performance

Key Variances £'000	Service	Description	Mitigation Strategy (Overspends only)
(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 original budget was set.	
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 £0.024m 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 7 Forecast Variance £'000	Dedicated Schools Grant (DSG)	2013/14 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
0	Individual Schools Budget (ISB) <i>(This does not include the £7.114m school balances brought forward from 2012/13)</i>	124,167	124,167	0	0.0%
(15)	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	11,802	(65)	-0.5%
40	High Needs Block (excluding delegated to Schools); <i>(This includes the £1.089m underspend brought forward from 2012/13)</i>	13,261	12,980	(281)	-2.1%
(654)	Exceptions and Growth Fund	4,604	3,936	(668)	-14.5%
0	Grant Income	(152,810)	(152,810)	0	0.0%
(629)	Net DSG Budget	1,089	75	(1,014)	-93.1%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note: FTE/WTE = Full/Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Early Years Block			
(65)	Funding for Two Year Olds	This relates to a lower than anticipated take up of early years free entitlement for 2-year olds.	
High Needs Block			
94	Sick Children	Estimated overspend in the budget for educating children who are unable to attend school due to illness and are taught in hospital.	
(200)	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.	
(39)	Education of Looked After Children	Average unit costs are lower than originally budgeted.	
(60)	Unspent balance brought forward from 2012/13	Currently unspent in 2013/14.	
(76)	Various	Other minor underspends.	
Exceptions & Growth Fund			
		The total underspend of £0.668m 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.	
(90)	Admissions & Transport	Staff and other savings.	
61	Various	Other minor overspends.	

NHS Trust Managed S75 Budgets - Revenue Budget Summary

Month 7 Forecast Variance £'000	S75 Partnership	2013/14 Budget Month 9 £'000	Forecast Outturn Month 9 £'000	Forecast Variance Month 9 £'000	Forecast Variance Month 9 %
220	Sussex Partnership Foundation NHS Trust (SPFT)	11,429	11,568	139	1.2%
63	Sussex Community NHS Trust (SCT)	641	688	47	7.3%
283	Total Revenue - S75	12,070	12,256	186	1.5%

Explanation of Key Variances

Key Variances £'000	Service	Description (Note WTE = Whole Time Equivalent)	Mitigation Strategy (Overspends only)
Sussex Partnership Foundation NHS Trust			
139	SPFT	Sussex Partnership NHS Foundation Trust are reporting an overspend of £0.278m at Month 9 (a decrease of £0.162m from Month 7). The overspend reflects 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 72 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 £0.139m 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			
47	SCT	The pressure of £0.047m 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. This is a slightly reduced pressure than reported at Month 7.	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	1.305	0.979	0.000	57.1%
Children's Services	2.660	2.696	0.898	0.000	101.4%
ICT	0.410		0.181	0.229	0.0%
Procurement *	1.396	1.047	0.349	0.000	75.0%
Workstyles	0.440	0.440	0.000	0.000	100.0%
Business Process Improvement *	0.320	0.240	0.080	0.000	75.0%
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	0.000	100.0%
Total All VfM Projects	10.315	7.381	2.487	1.381	71.6%

* 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.

Children's Services – Capital Budget Summary

Forecast Outturn Month 7 £'000	Service	2013/14 TBM 7 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 4) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 9 £'000	Provisional Outturn Month 9 £'000	Provisional Variance Month 9 £'000	Provisional Variance Month 9 %
0	Child Health Safeguard and Care	687	0	0	(40)	647	647	0	0.0%
0	Education and Inclusion	14,509	0	0	(700)	13,809	13,809	0	0.0%
0	Schools	8,454	0	0	(30)	8,424	8,424	0	0.0%
0	Total Children's Services	23,650	0	0	(770)	22,880	22,880	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	(40)	Contact Supervision Centres	This budget is for the rebuilding of part of the Hillview Contact Centre. The initial survey suggested that substantially more funds may be required so the Council are looking into other options. This process is still ongoing and will not be completed by the end of this financial year.	
Education and Inclusion				
Budget Reprofile	(500)	New Pupil Places	Large elements of funding allocated to Local Authorities for Education and Inclusion spend 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. This has been the case with St Peter's Primary, St Nicolas CE Primary and Brackenbury 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 Primary School	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			<p>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. These works for 2014/15 are included in the 2014/15 Capital Budget report.</p> <p>Since TBM 7 the construction company is now indicating that the projected spend profiles for Brackenbury Primary and Aldrington Primary have slowed down. As a result less money is anticipated to be spent in this financial year. Therefore, we are revising our forecast spend to £8,250m in 2013/14 for New Pupil Places with the balance carried forward to 2014/15 to assist in meeting our outstanding commitments next year.</p> <p>There has been some recent correspondence regarding the additional funding we have secured for the Connaught Infant project. We currently have sufficient budget to meet any modest expenditure incurred this year. This additional budget should be added to New Primary Places in 2014/15.</p>	
Budget Reprofile	(200)	Capital Maintenance 2013-14	<p>At TBM 7 we forecast a spend of £2,900m for this year's Capital Maintenance and highlighted some problems with a number of major mechanical replacement projects. The degree of design work for these projects has been quite considerable and has needed to take account of work in future years. It has also proved difficult to carry out work during term time in a number of schools and this is delaying the delivery of these works. The presence of asbestos has also required removal/cleaning work prior to starting the main replacement project. We have been working to find ways of resolving these problems with schools. In one instance temporary accommodation is being installed to enable us to relocate classes while we work in areas of the school. Therefore, this year's planned expenditure will continue into the next financial</p>	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			year. Budget will need to be carried forward to meet the outstanding commitment. The forecast spend for Capital Maintenance is now £2,700m.	
Schools				
Budget Variation	(30)	Elm Grove Reception Playground	Elm Grove have used their allocation within the Devolved Formula Capital (DFC) to fund the Reception Playground works so will not be using the £0.030m from unsupported borrowing	

Adult Services – Capital Budget Summary

Forecast Outturn Month 7 £'000	Service	2013/14 TBM 7 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 4) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 9 £'000	Provisional Outturn Month 9 £'000	Provisional Variance Month 9 £'000	Provisional Variance Month 9 %
0	Adults Assessment	424	0	0	0	424	424	0	0.0%
0	Adults Provider	723	0	0	0	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	2,328	0	0	0	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
Adult Services				
No Change				

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

Forecast Outturn Month 7 £'000	Service	2013/14 TBM 7 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 4) £'000	Variation, Slippage/ reprofile £'000	2013/14 Budget Month 9 £'000	Provisional Outturn Month 9 £'000	Provisional Variance Month 9 £'000	Provisional Variance Month 9 %
0	City Infrastructure	4,127	0	35	1,212	5,374	5,374	0	0.0%
0	City Regeneration	608	0	0	0	608	608	0	0.0%
0	Planning & Public Protection	18	0	0	0	18	18	0	0.0%
0	Transport	10,387	280	0	0	10,667	10,667	0	0.0%
0	Housing	5,085	0	0	(1,111)	3,974	3,974	0	0.0%
0	Total Environment, Development & Housing GF	20,225	280	35	(101)	20,641	20,641	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 Variance	1,212	Replacement of vehicles	In the 2013/14 capital budget (approved at Full Council in February) there was an amount of £2.400m for vehicle replacement. This amount was included subject to further information on vehicles being provided. Now that the vehicle numbers and types have been agreed the council are able to go to tender. Unfortunately, some of the vehicles are on a long lead time and will be included in the next financial year. A total of £1.212m will be needed in 2013/14 with 1.188m to be carried forward to next year and is included in the Budget report for 2014/15.	
Transport				
Reported at this	280	Access to the South Downs National Park	Agreed at Policy & Resources Committee on 5 th December 2013	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
Committee		– Ditchling Road		
Housing				
Budget Reprofile	(234)	Housing Renewal	<p>There are 3 reasons for the request of a re-profile into 2014/15:</p> <p>Some works remain committed in the system for decent homes grants and assistance. Although approved by the council, the completion of the work is dependent on the applicant proceeding and appointing contractors to complete works. The anticipated progress against these commitments has not been made by the applicants. Re-profiling of the budget to 2014/15 will allow these approved works to proceed and allow the council to review all commitments if, ultimately, the applicant does not wish to proceed.</p> <p>A re-profile of this budget will allow a top up of Disabled Facilities Grant (DFG) budget for 2014/15. Over the last few years the housing renewal capital budget has been used to top up DFG grant to approximately £1.1m.</p> <p>Also, the re-profile will enable the Council to maintain the relationship with Parity Trust, allowing the continued offer of recyclable affordable loans to residents for decent homes work.</p>	
Budget Reprofile	(189)	Disabled Facilities Grant	<p>Although approved by the council, the completion of these works is dependent on the applicant proceeding and the appointed contractor completing works.</p> <p>Due to the long lead in periods for some private sector grant aided major adaptations the Council has significant commitments against this budget.</p> <p>In 2013/14 the Council was able to 'top up' the DFG central Government allocation with private sector housing capital under discretionary powers, this top up of £0.150m was added to the grant of £0.728m and a carry over of £0.222m from 2012-13 to achieve the total budget of £1.1m.</p>	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			No additional private sector housing capital funding has been identified for 2014-15, however an amount is proposed for carry forward from this year to provide a top up for DFG in 2014-15. The proposal to carry forward capital from this year enables the service to protect and prioritise the delivery of private sector housing adaptations next year. The funding for this project comes in the form of grant which can be carried forward.	
Budget Reprofile	(68)	Major Adaptations	<p>This budget enables the Council to meet statutory duties arising under the Chronically Sick & Disabled Persons Act where major adaptations fall outside the scope of disabled facilities grant assistance, where the cost of works exceed the grant limit or where the client has an assessed contribution and claims hardship. The budget is linked to Disabled Facilities Grant spend, where, once approved by the Council, the completion of works is dependent on the applicant proceeding and the appointed contractor completing the works.</p> <p>Due to the long lead in periods for some private sector grant aided major adaptations, the Council has significant commitments against this budget. The proposed carry forward from this year enables us to protect & prioritise the delivery of private sector housing adaptations next year</p>	
Budget Reprofile	(620)	Empty Properties Round 1 and Round 2	<p>The spend is reliant on take up of empty property loan funding by the owners of empty properties in the city, so far, despite significant promotion of the scheme and a level of interest shown, homeowners have not proceeded to the point of taking the funding on offer. Feedback from empty property owners indicates that rising market rents mean that the conditions of the grant funding from the Homes Community Agency (HCA) have made the offer less attractive in the city.</p> <p>This has impaired the ability to compete in the marketplace with grants / loans and to align the properties to the council leasing scheme when brought back into use. In recent months we have reduced the interest rate on loan repayments to 0% and have been negotiating with the</p>	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			HCA to change these conditions. Progress has been made in recent weeks to make the conditions more attractive and it is expected owners of empty properties will proceed in the coming months however the Council does not expect significant works to be complete, or payments to be made within this financial year.	

Appendix 3 – Capital Programme Performance

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

Forecast Outturn Month 7 £'000	Service	2013/14 TBM 7 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 4) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 9 £'000	Provisional Outturn Month 9 £'000	Provisional Variance Month 9 £'000	Provisional Variance Month 9 %
0	City Regeneration	1,600	0	0	(1,210)	390	390	0	0.0%
(107)	Housing	29,546	0	669	(800)	29,415	28,980	(435)	-1.5%
(107)	Total Environment, Development and Housing HRA	31,146	0	669	(2,010)	29,805	29,370	(435)	-1.5%

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

Detail Type	£'000	Project	Description	Mitigation Strategy
City Regeneration				
Budget Reprofile	(303)	Feasibility and Design	A programme of feasibility studies for a range of sites is underway with some studies being recently completed, others currently being undertaken and further studies to be commissioned over the coming months. Payments are therefore spread over 2013/14-2014/15.	
Budget Reprofile	(907)	Redevelopment of HRA vacant garage sites	The contract for the development of four garage sites has been awarded and work will start in this financial year. Payments will be made at key project stages with only minor costs in 2013/14. The schemes are on target for completion by the end of 2015 and a strategy is also being developed for the sites not included in the recent procurement.	
Housing				
Budget Reprofile	(287)	Roofing	Savings identified in the major works projects mean that work can start on roofing renewal works at Chates Farm	Repairs costs, should they arise will be funded from

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			Court and be funded in 2013/14. Works are due to start with a budgeted spend of £0.390m, however the projected spend for this financial year will be £0.103m. A reprofile of funds are required to complete the works in 2014/15.	revenue budgets and have been included in the current forecast.
Budget Reprofile	(192)	Cladding	The programme of works on the Essex Place Capital Investment programme has been extended due to legal issues delaying the start of this project. A reprofile of funds are required to complete the scheme in 2014/2015.	Prices for this project have been set with an agreed maximum price so a delay will not cause any price increases.
Budget Reprofile	(127)	Portslade Police Station	There has been a delay on works starting at the Portslade Police Station. Further consultation is required before works can start on site and therefore a reprofile of funds are required to complete works in 2014/15.	
Budget Reprofile	(87)	Water Tanks	For the Bristol Estate tank replacement, data logging over several weeks to gauge size of replacement tank in needed. This unexpected two part consultation is required and the existing contract does not cover this type of work (additional 30 day consultation required).	Ongoing maintenance and water quality checks continue and is funded from revenue budgets
Variation	(107)	TV Aerials	As stated in TBM7, working closely with the contractor, the cost to complete the programme of installations has been reduced by £(0.107)m. However, the underspend needs to be reinvested into other elements of the capital programme.	
Underspend	(90)	Roofing	Savings have been identified as the major works projects have progressed and these funds will be used to finance overspends in other areas.	
Underspend	(300)	External decorations	Works at Park Royal are no longer proceeding due to the Enfranchisement by leaseholders.	
Underspend	(63)	Communal Gas	Savings have been identified as the major works projects have progressed and these funds will be used to finance overspends in other areas.	
Overspend	63	Domestic Rewire	This budget is expected to overspend this financial year as a result of extra works being identified to meet the	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			decent homes standard.	
Overspend	103	Condensation and damp	Further works are being identified as part of the citywide programme to reduce condensation and damp. This overspend will be funded by underspend elsewhere within the HRA Capital Programme.	
Underspend	(90)	Empty Properties	There is an underspend in this budget due to unallocated funds. This is a reactive budget and therefore money is spent when properties become vacant. The number of vacated properties has been lower than expected. All work which was programmed has been completed.	
Underspend	(58)	Various	There are various underspends of under £0.050m including Car Parks and Garages £(0.045)m, City College Partnership £(0.010)m and others £(0.003)m	

Assistant Chief Executive - Capital Budget Summary

Forecast Outturn Month 7 £'000	Service	2013/14 TBM 7 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 4) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 9 £'000	Provisional Outturn Month 9 £'000	Provisional Variance Month 9 £'000	Provisional Variance Month 9 %
0	Corporate Policy Performance & Communities	92	0	0	(82)	10	10	0	0.0%
(0)	Royal Pavilion Arts & Museums	4,702	0	0	0	4,702	4,702	0	0.0%
(160)	Sports & Leisure	3,422	0	0	0	3,422	3,262	(160)	-4.7%
0	Tourism & Venues	4,512	(4,336)	0	(176)	0	0	0	0.0%
(160)	Total Assistant Chief Executive	12,728	(4,336)	0	(258)	8,134	7,974	(160)	-2.0%

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

Detail Type	£'000	Project	Description	Mitigation Strategy
Corporate Policy Performance & Communities				
Reprofile	(82)	Voluntary & Community Projects	This funding is from the sale of the Mayor's car license plate and is to be used for "Investment in voluntary & community organisations "(P&R, Feb 2012). The intention is to use the money as a contribution towards the cost of the community and voluntary sector refurbishment of the ground floor of Community Base, Queens Road, Brighton to create a one stop shop Third Sector advice centre. Work was due to happen in 2013/14 however it was delayed because of uncertainty around National Lottery Funding. The Council is working with Community Base and partners to progress this important piece of work. Note that this re-profile purely relates to the funding from the sale of the Mayor's licence plate which is a contribution to the overall cost of the works.	
Tourism & Venues				

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
Reprofile	(4,336)	i360 Project	The i360 Project will not be commencing in 2013/14 and this part of the overall budget needs to be re-profiled.	
Slippage	(176)	Brighton Centre Box Office	There has been an unanticipated delay in the procurement process and the scheme needs to slip to 2014/15. This will not have an effect in the approved saving included in the 2014/15 revenue budget.	

Finance, Resources and Law - Capital Budget Summary

Forecast Outturn Month 7 £'000	Service	2013/14 TBM 7 Budget £'000	Reported at other Meetings £'000	New Schemes (Appendix 4) £'000	Variation, Slippage / reprofile £'000	2013/14 Budget Month 9 £'000	Provisional Outturn Month 9 £'000	Provisional Variance Month 9 £'000	Provisional Variance Month 9 %
0	City Services	2,393	0	0	(282)	2,111	2,079	(32)	-1.5%
0	HR Organisational Development	208	0	0	(165)	43	43	0	0.0%
0	ICT	1,826	0	0	0	1,826	1,826	0	0.0%
0	Property & Design	5,535	0	0	0	5,535	5,535	0	0.0%
0	Finance	27	0	0	0	27	27	0	0.0%
0	Total Finance, Resources and Law	9,989	0	0	(447)	9,542	9,510	(32)	-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
City Services				
Budget Reprofile	(70)	Woodvale Cremators for Mercury Abatement	The main reasons for the slippage into 2014/2015 are due to 1) the mortuary generator of £0.032m included in the capital project but this will be moved during the early part of 2014 2) the roofing works of £0.038m ring-fenced for a small roofing works project to the crematory, waiting room store and lodge rooflight. This work will be carried out when the weather is more suitable.	

Appendix 3 – Capital Programme Performance

Detail Type	£'000	Project	Description	Mitigation Strategy
			The total estimate to be carried forward to 2014 /2015 from the overall budget, will be around £0.070m. Final accounts are being reviewed at the moment. The project timetable has not been affected by this slippage, and the business is now operating a full service. There are no financial implications of the project slippage.	
Budget Reprofile	(212)	Woodingdean Library	This project commenced in May 2013 later than anticipated due to finalising planning issues and the developers needing to finalise legal agreement with the medical practice. Further delays were caused by the response time of the national utilities companies and late discovery of some external asbestos. Demolition commenced in June with building handover currently projected to be the third week of April 2014 with the new Library currently projected to open in June 2014. We would therefore request the carry over of a proportion of the capital project to 2014/15.	
Underspend	(32)	Replacement of Coroner's vehicle	An underspend is being reported on the replacement of Coroner's vehicle.	
HR Organisational Development				
Budget Slippage	(165)		<p>Planned expenditure has been delayed by ICT's work on Code of Connections. This has delayed the progressing with the upgrade of key HR software as it is dependent on ICT completing the assessment for this software. CoCo assessment was prioritised for current systems over new software.</p> <p>The project is likely to be completed in 2014/15 rather than 2013/14. Anticipated service improvements on recruitment and management information have been delayed. The capital costs have not increased but revenue savings for 2014-15 are dependant on progress with this project.</p>	

New Capital Project Approval Request				
Service:	Housing (Housing Revenue Account)			
Project title:	Pre Lease Refurbishment			
Total Project Cost (All Years)	£669,000			
Purpose, benefits and risks:				
<p>The project will refurbish the properties, identified in Batch 8, prior to leasing to Brighton and Hove Seaside Community Homes. Refurbishment of these properties prior to leasing will enable to BHSCCH to let the properties earlier, therefore reducing costs to the HRA associated with empty properties and reducing the risk to Brighton and Hove City Council (general fund) from funding any rental shortfall.</p>				
Capital expenditure profile (£'000):				
Year	2013/14	2014/15	2015/16	TOTAL
Refurbishment Fee	669	0	0	669
Total estimated costs and fees	669	0	0	669
Financial implications:				
<p>The cost of property refurbishments will be met through a capital receipt from Seaside Homes as set out in management agreement between BHCC and Seaside Homes.</p>				

New Capital Project Approval Request

Service:	City Infrastructure – City Parks
Project title:	Woodingdean Allotments
Total Project Cost (All Years):	£35,000

Purpose, benefits and risks:

There is a shortage of allotments within the City, currently there are 1,628 people on the waiting list, the Council has had two approaches to reducing the number of people waiting for a plot, firstly to split plots which has had a significant impact on the waiting list and secondly to create more allotments. The Council has publicly committed to providing two new sites one at Lion's Gate as part of a planning gain [the developer has now gone out of business, planners and legal are trying to ensure that the allotment site is still provided]. The second site, which is subject to planning permission, is a paddock off of the Falmer Rd near Woodingdean currently on a short term lease. The funding is required to convert the site from a horse paddock to an allotment site, and includes the construction of an access carriage ways and to lay plot division paths.

Capital expenditure profile (£'000):

Year	2013/14	2014/15	2015/16	TOTAL
Revenue Contributions	35			35
Total estimated costs and fees	35			35

Financial implications:

This project will be funded from one-off revenue funds made available from a carry forward of unused income. Allotment rents do not cover the cost of the allotment service, so in order to run this new site within existing budgets no mains water will be supplied and plot holders will be dependant on rainwater collected on site to water their crops.

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