



**Brighton & Hove
City Council**

AUDIT COMMITTEE ADDENDUM

4.00PM, TUESDAY, 30 JUNE 2009

COMMITTEE ROOM 1, HOVE TOWN HALL

ADDENDUM

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External audit Progress Report

Brighton and Hove City Council

Audit 2008/09

June 2009



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Summary report

Introduction

- 1 Our audit and inspection plan for 2008/09 was presented to the Audit Committee in June 2008. This report provides a summary of the status of this work in particular. It also provides an update on the outstanding items relating to the 2007/08 audit and an outline of the 2009/10 audit work in the attached Appendix 1.

Background

- 2 The audit and inspection plan for 2008/09 set out the following areas of work:
 - financial statements and Whole of Government Accounts(WGA);
 - value for money (VFM) conclusion;
 - organisational assessment (OA) including data quality;
 - the National Fraud Initiative (NFI);
 - specific Use of Resources (UoR) reviews
 - a joint review with health partners of health inequalities in the City;
 - a review of the impact of migrant workers (this work was not undertaken after discussions with officers);
 - an inspection of housing services(this work was not undertaken) ; and
 - certification of grant claims and returns
- 3 More information is set out below on the progress of the 2008/09 audit and in the attached Appendix 1.

Progress to date

Financial statements and WGA 2008/09

- 4 Our work on the Council's financial statements 2008/09 is progressing. We have completed our pre-statements work and are liaising with officers about the forthcoming post-statements and WGA phase of the audit.

VFM conclusion 2008/09

- 5 We have started our OA work which will be used to inform our vfm conclusion. We will reach a final view nearer to the September 2009 deadline for the opinion.

OA 2008/09

- 6 We have presented to key officers the overall approach used and have started this work. We have a significant amount of evidence from our previous knowledge, we will undertake additional reviews of information and this work will continue into Summer 2009. We identified some areas where additional information was needed, particularly to demonstrate key outcomes achieved in 2008/09, and have asked for officers for this.
- 7 In our last progress report there was one specific UoR review relating to 2007/08 that had not been completed. Our review of the Council's governance arrangements has been completed and we will arranging to finalise the report shortly.

NFI

- 8 We continue to liaise with Internal Audit who are undertaking a review of data matches supplied by the Audit Commission.

Specific UoR reviews 2008/09

- 9 The joint review of health inequalities across the City is progressing and we are will issue a draft report to officers in June 2009.
- 10 In early 2009, we undertook work to support housing services. This work is outside our formal audit responsibilities at the Council and is categorised as advice and assistance. The findings were presented to officers at the conclusion of the work.

Other work 2008/09

- 11 We dealt with a request for a public interest report into the decision of the Council to defend legal action brought against it. This was a lengthy investigation and we raised a separate fee for this work. We have also received associated requests for information under the Freedom of Information Act. We have not charged the Council for this work, but we are continuing to be contacted although at this time we do not plan any further work.

Audit and inspection fees 2009/10

- 12 The audit and inspection fee letters have been produced and were agreed with officers and by the Audit Committee at its May meeting. Details of the timing of the work are set out in the Appendix 1 attached.

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Appendix 1 - Audit Commission work programme																
The grid below summarises the main work areas and the progress made to date. It looks forward into the 2009/10 audit year.																
Audit Commission Work Programme - 2007/08 audit plan work outstanding as at June 2009																
Work stream	Description	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09		
2007/08 audit work remaining as at September 2008																
Good governance (BHCC lead - Abraham Ghebre-Ghiorghis. Audit Commission lead - Alex Orme)	Review of the arrangements in place and how they operate. To include the Commission's online survey 'Your business @ risk'.				Work begins											Note - draft report has been discussed with officers. We will finalise

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Audit Commission Work Programme - 2008/09 audit work

Work stream	Description	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
Audit and Inspection Plan 2008/09 (BHCC lead - Nigel Manvell. Audit Commission lead - Helen Thompson.)	Audit and inspection work programme established. Issued June 2008.												
Use of Resources (UOR) (BHCC lead - Janice Millman. Audit Commission lead - Grahame Brown)	Produce score using the Commission's Key Lines of Enquiry. This work includes data quality and supports the Comprehensive Area Assessment.		Work starts						Work completed. UoR reported in Annual Governance Report.		Issue UOR report to officers		
Audit of accounts (BHCC - Nigel Manvell. Audit Commission lead - Grahame Brown)	Give opinion on the 2008/09 accounts. Certify the Whole of Government Accounts (WGA) return for 2008/09 for the Treasury.	Pre-statements work starts			Pre-statements work ends	(Accounts approved by BHCC in June 09)	Post-statememnts work starts	Audit work continues	Post statements work ends. Issue Annual Governance Report and audit opinion by 30 Sept 09	Certify WGA return.	Final accounts report to officers.		
VFM conclusion 2008/09 (BHCC lead - Nigel Manvell. Audit Commission lead - Grahame Brown)	Form overall conclusion on BHCC's achievement of Value for Money (VFM) using the Commission's criteria.					Work starts			Work completed. Conclusion issued. Reported in Annual Governance Report.				
Grant claims and returns (BHCC lead - various. Audit Commission lead - Grahame Brown)	Review grant claims and returns submitted to us in accordance with certification instructions issued by the Audit Commission							Early work on Housing Benefits, NNDR, Teachers' Pensions and Housing Base Data	Certification of claims and returns by deadlines	Certification of claims and returns by deadlines	Certification of claims and returns by deadlines	Certification of claims and returns by deadlines	

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Audit Commission Work Programme - 2008/09 audit work														
Work stream	Description	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	
Waste PFI contract (BHCC lead - Mark Ireland. Audit Commission lead - Mike Allen)	We attend officer meetings that review the operation of the contract. We have also undertaken work on the arrangements for the recent renegotiation of the contract.								A summary of the work undertaken and findings will be reported in the Annual Governance Report.					
Health inequalities (BHCC lead - Janice Millman. Audit Commission lead - Norma Christison)	A joint review with Brighton & Hove PCT to review the response to incidences of health inequalities in the City. Brief issued Cotober 2008 and agreed with BHCC in December 2008.						Draft findings to be issued to BHCC and PCT.		Finalisation of findings.					
Annual Audit Letter (BHCC lead - Janice Millman. Audit Commission lead - Helen Thompson)	Summarises the key findings from the audit work undertaken.									Officer meeting to discuss letter. (To be arranged)	Member meeting(s) to discuss letter. (To be arranged)			

Appendix 1 - Audit Commission work programme

The grid below summarises the main work areas and the progress made to date. It looks forward into the 2009/10 audit year.

Audit Commission Work Programme - 2009/10		Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
Work stream	Description													
Audit and Inspection Plan 2009/10 (BHCC lead - Alex Bailey. Audit Commission lead - Helen Thompson)	Audit work programme established				Meetings with officers to agree audit fee 2009/10	Fee letter presented to Audit Committee								
Use of Resources (UOR) (BHCC lead - Janice Millman. Audit Commission lead - Simon Mathers)	Produce score using the Commission's Key Lines of Enquiry. This work includes data quality and supports the Comprehensive Area Assessment.											Audit work starts. (Work will continue into 2010. Dates for reporting this work will be confirmed).		
Audit of accounts 2009/10 (BHCC lead - Nigel Manvell. Audit Commission lead - Simon Mathers)	Give opinion on the 2009/10 accounts. Certify the Whole of Government Accounts (WGA) return for 2009/10 for the Treasury. Work on pre-statements starts in February 2010 and post-statements in July 2010. Opinion to be given in September 2010. WGA will be certified in October 2010.									Post statements work ends. Issue Annual Governance Report and audit opinion by 30 Sept 10	Certify WGA return.			
VFM conclusion 2009/10 (BHCC lead - Nigel Manvell. Audit Commission lead - Simon Mathers)	Form overall conclusion on BHCC's achievement of Value for Money (VFM) using the Commission's criteria. This will be given in September 2010.									Work completed. Conclusion issued. Reported in Annual Governance Report.				
Grant claims and returns (BHCC lead - various. Audit Commission lead - Simon Mathers)	Review grant claims and returns submitted to us in accordance with certification instructions issued by the Audit Commission. Early work will start in August 2010 and will continue until December 2010.													

Appendix 1 - Audit Commission work programme

The grid below summarises the main work areas and the progress made to date. It looks forward into the 2009/10 audit year.

Audit Commission Work Programme - 2009/10

Work stream	Description	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
Long-term housing capital works and maintenance contract (BHCC lead - to be agreed. Audit Commission lead - Alex Orme)	We will review the contract arrangements to establish the reasonableness of the savings proposed, how the savings expected are reflected in the longer-term financial plans for the housing revenue account and the effectiveness of the proposed management of the contracts. Project brief will be prepared in Summer 2009.													
Review of the arrangements for the Council's participation in a company that will manage about 500 Council owned housing units. (BHCC lead - to be agreed. Audit Commission lead - Simon Mathers)	We will review the arrangements for the company to confirm the legality of the transfer of the housing units and the governance arrangements proposed to ensure the Council's position is appropriately safeguarded. This work builds on our previous discussions with the Council in early 2009. We will prepare a project brief for discussion with officers in Summer 2009.													
Waste PFI contract (BHCC lead - Mark Ireland. Audit Commission lead - Mike Allen)	We will continue to attend meetings with officers to assess the effectiveness of the contact management arrangements. We will report our findings in the Annual Governance Report in September 2010.													
Effects of the recession (BHCC lead - Nigel Manvell. Audit Commission lead - Simon Mathers)	We will monitor the Council's financial performance to see how well it is managing the impact of the current economic climate and assess the impact on its overall financial health. We will report our findings in the Annual Governance Report in September 2010.													

THIS ITEM WAS CONSIDERED AT THE 11 JUNE 2009 MEETING OF CABINET

Subject:	<i>Targeted Budget Management (TBM) Provisional Outturn 2008/09</i>		
Date of Meeting:	11 June 2009		
Report of:	<i>Interim Director of Finance & Resources</i>		
Contact Officer:	Name: Nigel Manvell	Tel: 29-3104	
	E-mail: nigel.manvell@brighton-hove.gov.uk		
Key Decision:	Yes	Forward Plan No: CAB10181	
Wards Affected:	All		

FOR GENERAL RELEASE

Note: The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the completion of the report was dependent on finalising the closure of the council's accounts which, although concluded in accordance with the timetable agreed with external auditors, was too late to meet the standard publication deadline.

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report sets out the provisional outturn position (Month 12) on the revenue and capital budgets for the financial year 2008/09.
- 1.2 The council has delivered services well within its overall budget by taking appropriate measures to manage in-year risks and pressures, including significant unavoidable pressures on the council tax collection fund, energy costs and adult social care budgets.
- 1.3 This reflects the council's effective monitoring and control of financial performance and the measures it has taken to ensure better use of public funds. The provisional outturn includes the achievement of efficiency savings of over £5 million and the implementation of council-wide value for money reviews.

2. RECOMMENDATIONS:

- 2.1 That the Cabinet note the significantly improved provisional outturn position for the General Fund, which is now forecasting an underspend of £2.441 million.
- 2.2 That the Cabinet note the provisional outturn for the Section 75 Partnerships and Housing Revenue Account (HRA) for 2008/09.
- 2.3 That the Cabinet approve the budget changes and future commitments set out in paragraph 3.5.

- 2.4 That the Cabinet note the provisional outturn position on the capital programme.
- 2.5 That the Cabinet approve the following changes to the capital programme:
- (i) The budget reprofiling as set out in Appendix 2;
 - (ii) The carry forward of slippage of £2.578 million into the 2009/10 capital programme, to meet on-going commitments on these schemes as set out in Appendix 3;
 - (iii) The new schemes as set out in Appendix 4.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The table below shows the provisional outturn position for council controlled budgets within the General Fund and the outturn on NHS managed S75 Partnership Services.
- 3.2 The provisional outturn shows that the council is managing within its available resources despite significant in-year pressures relating to the council tax collection fund, energy costs, sustainable transport and Adult Social Care placements. A number of directorate budgets were under pressure during the year but the forecast position has improved significantly since month 9, reflecting recovery actions and spending constraints, and directorate budgets overall have achieved a small underspend. The council's overall position is supported by significant underspends on Centrally Managed Budgets including savings on Insurance Contracts, lower than expected costs of the concessionary fares scheme, which have improved even further since Month 9, and good investment performance on the council's cash balances despite falling interest rates. More detailed explanation of the variances below can be found in Appendix 1.

Forecast		2008/09	Forecast	Forecast	Forecast
Variance		Budget	Outturn	Variance	Variance
Month 9		Month	Month	Month	Month
		12	12	12	12
£'000	Directorate	£'000	£'000	£'000	%
540	Adult Social Care & Housing	42,606	43,098	492	1.2%
247	S75 Learning Disability Services	22,761	22,780	19	0.1%
(1,246)	Children & Young People's Trust	50,502	49,194	(1,308)	-2.6%
(77)	Finance & Resources	16,328	15,889	(439)	-2.7%
(12)	Strategy & Governance	11,249	11,350	101	0.9%
216	Environment	35,212	35,821	609	1.7%
157	Cultural Services	12,969	13,175	206	1.6%
(175)	Sub Total	191,627	191,307	(320)	-0.2%
1,445	Collection Fund *	-	1,445	1,445	0.0%
(3,403)	Centrally Managed Budgets	8,854	3,636	(5,218)	-58.9%
(2,133)	Total Council Controlled Budgets	200,481	196,388	(4,093)	-2.0%
486	NHS Trust managed S75 Services	14,291	14,296	5	0.0%
(1,647)	Total Overall Position	214,772	210,684	(4,088)	-1.9%
1,647	Contribution to reserves as per approved revenue budget	-	1,647	1,647	
0	Provisional Outturn	214,772	212,331	(2,441)	

* See corporate critical budgets section for details

- 3.3 The Total Council Controlled Budgets line in the above table represents the total current forecast in respect of the council's General Fund. This includes all directorate budgets, centrally managed budgets and council-managed Section 75 services. The NHS Trust-managed Section 75 Services line represents those services for which local NHS Trusts act as the Host Provider under Section 75 Agreements. Services are managed by Sussex Partnership Trust and South Downs Health Trust and include health and social care services for Adult Mental Health, Older People Mental Health, Substance Misuse, AIDS/HIV, Intermediate Care and Community Equipment. The provisional outturn shows that a small variance of £0.005 million was achieved after accounting for the risk sharing contribution of £0.300 million agreed with the Primary Care Trust and Sussex Partnership Trust.
- 3.4 The overall forecast underspend at Month 9 (£1.647 million) was taken into consideration in setting the 2009/10 budget and council tax. The budget approved by Full Council required this underspend to be earmarked to cover projected investment income losses over the next 3 years due to falling interest rates. The table above therefore compares the final outturn position after this contribution to reserves has been accounted for. This shows the net movement from Month 9 to be an improvement of £2.441 million. The main reasons for this movement are detailed in Appendix 1.
- 3.5 The increased underspend enables consideration of further prudent financial decisions and other allocations based on current economic conditions and/or business needs. The following allocations are proposed in this respect:

3.5.1 Carry Forward Requests

Carry forward requests of over £0.050 million per Assistant Director require approval by Cabinet. Carry forwards are normally only permitted where there is a clear justification setting out the reasons for expenditure being delayed to the next financial year and demonstrating that the associated funding remains available (e.g. grants). Carry forwards are also subject to both the relevant directorate and the council overall being in a break-even position or better. Two carry forward proposals relating to grants exceed this limit including carry forwards for Schools Development and Learning & Schools (£0.078 million) and the Carers Grant (£0.100 million). Details of these carry forwards are included in Appendix 1 under CYPT and Adult Social Care & Housing respectively.

A carry forward of £0.100 million is also requested from Finance & Resources. This budget was to be used to provide support to develop the Customer Access Vision. However, during spring 2009 a more integrated programme has been developed as part of a continuing approach to value for money which will include the customer experience, business processes, workstyles and accommodation. Therefore, it is proposed to add this carry forward to the VFM Initiatives Fund.

3.5.2 Financing costs (loss of investment income)

Recent Bank of England statements and projections indicate that interest rates will remain lower for longer than originally estimated when setting the 2009/10 budget and medium term financial strategy. It is proposed

that a further £0.250 million be added to General Reserves to further smooth out investment losses over the 3 year period.

3.5.3 **Corporate Accommodation Strategy**

The council occupies a number of large civic buildings which are currently being reviewed in relation to the Corporate Accommodation Strategy. The lease expires on Priory House in 2009/10 and this will require the council to make good the property under the terms of the lease (known as “dilapidations”). This is expected to require an additional £0.250 million which it is proposed to add to the existing earmarked reserve of £0.150 million. It is further proposed to earmark £0.250 million to an Accommodation Strategy Reserve to meet other anticipated one-off and invest-to-save costs in support of the Corporate Accommodation Strategy.

3.5.4 **The Bridge**

The Bridge is a community education centre based in Moulsecoomb that offers a range of services including one-to-one counselling, health and substance abuse work and advice to the hardest to reach individuals within the communities of Moulsecoomb, Bevendean, Coldean and Bates Estates, as well as attracting learners from further afield. Each term the Bridge provides approximately 50 courses for those aged 16+, either free or at low cost, with 1000 enrolments annually. The courses are delivered at the bridge through existing partners including the City, Varndean and Sussex Downs Colleges, Friends Centre and the universities.

To secure its long term future, the Bridge must develop partnerships that can provide on-going revenue. Most of the potential partnerships that can be developed pay in arrears and are based on outcomes and will require further development work if they are to be fully realised. The Bridge does not have the capacity to properly develop these partnerships and since the cessation of the New Deal for Communities funding stream, neither does it have the funds to recruit to increase capacity. To avoid redundancies in 2009 and to enable an increase in capacity to develop the long term partnership working necessary for its future viability, it is proposed to allocate £0.050 million to secure the Bridge’s activities to August 2009 and enable additional work to be undertaken to secure its long term funding.

3.5.6 **Building Schools for the Future**

Building Schools for the Future (BSF) is a major schools investment programme that complements the Academies and Primary School Capital programmes. The council has been advised that it may be able to enter wave 7 of the programme provided it can demonstrate its “Readiness to Deliver”. Successful entry to the programme would provide access to capital funding of up to £200 million for the City’s secondary schools in addition to £28 million already secured for a new Falmer Academy under the academy programme.

The draft BSF Readiness to Deliver submission will be considered by the Cabinet in July and in order to succeed must clearly demonstrate that the council has identified necessary project resources and funding. Project funding and resource requirements will be set out in detail in the submission but essentially there is a

requirement to fund project costs of approximately 3% of the total programme, or £5 million. Funding of £2.25 million has already been identified from existing capital funding streams leaving £2.75 million to be found. Given the significant underspending achieved by the CYPT, it is proposed to allocated £1.5 million of the 2008/09 outturn underspend to the BSF programme. Further, the outturn underspend on concessionary fares is expected to generate ongoing savings of at least £0.750 million (see Appendix 1) and it is proposed to allocate £0.700 million to the BSF programme in 2009/10 conditional on the overall financial outturn in 2009/10 being on target. A further £0.550 million will be required in 2010/11 which will need to be funded from available reserves and identified in the Medium Term Financial Strategy.

The BSF programme will potentially result in a number of contracts and/or partnerships, for example a Local Education Partnership (LEP), which will require the local authority to provide an equity stake. These are repayable at the end of the contract/partnership which can range from 10 to 25 years. The anticipated equity stakes are expected to total £0.500 million and will need to be identified in the 2012/13 Medium Term Financial Strategy. Other financial implications will be identified as the programme develops, if the council is successful, including:

- CYPT/Schools capital funding support for the programme;
- Contract management arrangements and associated costs;
- Revenue implications of Facilities Management PFI contracts;
- Schools contributions to the ICT managed service provider.

3.5.7 **Royal Pavilion**

Royal Pavilion stoneworks have been planned over a number of years and phases. The Stonework for phases 1 and 2 had been funded by a combination of the Planned Maintenance Budget (PMB) and the Asset Management Fund however these sources could not support the future requirement for phases 3 to 7 totalling £1.736 million at that time. It was therefore decided that these phases, which run up to 2010/11, would be funded from unsupported borrowing and the borrowing costs would be met from the PMB. The borrowing costs would be paid over 25 years and budget would be permanently removed from the PMB to cover these costs. Over time the extent of the works and the costs have been revised upward and the latest cost estimates to complete the works in 2009/10 require a further £0.600 million to enable works to continue. It is therefore proposed to allocate £0.050 million from anticipated underspending on concessionary fares to fund the borrowing costs of an additional £0.600 million for the 2009/10 stoneworks programme.

3.5.8 **General Fund Contingency**

If approved, the above allocations, together with contributions to reserves approved in the 2009/10 Revenue Budget, will leave £0.141 million unallocated which it is proposed to add to the General Fund Contingency to offset increased risks in relation to

economic conditions (e.g. parking), pandemic flu, and children's services (Laming recommendations).

3.6 The forecast outturn on the HRA is as follows:

Forecast		2008/09	Forecast	Forecast	Forecast
Variance		Budget	Outturn	Variance	Variance
Month 9		Month	Month	Month	Month
		12	12	12	12
£'000	Housing Revenue Account	£'000	£'000	£'000	%
(285)	Expenditure	47,000	46,529	(471)	-1.0%
(88)	Income	(46,751)	(46,724)	27	0.1%
(373)	Total	249	(195)	(444)	

Detailed analysis of the HRA provisional outturn is also provided in Appendix 1 and in the HRA 2008/09 Outturn report.

Corporate Critical Budgets

3.7 Targeted Budget Management (TBM) is based on the principles that effective financial monitoring of all budgets is important. However, there are a small number of budgets with the potential to have a material impact on the council's overall financial position. These are significant budgets where demand or activity is difficult to predict with certainty and where relatively small changes in demand can have significant financial implications for the council's budget strategy. These therefore undergo more frequent, timely and detailed analysis. Set out below is the forecast outturn position on the corporate critical budgets.

Forecast		2008/09	Forecast	Forecast	Forecast
Variance		Budget	Outturn	Variance	Variance
Month 9		Month	Month	Month 12	Month
		12	12	12	12
£'000	Corporate Critical Budgets	£'000	£'000	£'000	%
(972)	Child Agency & In House	17,150	15,968	(1,182)	-6.9%
184	Sustainable Transport	(446)	(59)	387	86.8%
(560)	Housing Benefits	154,396	153,786	(610)	-0.4%
600	Land Charges Income	(957)	(398)	559	58.4%
(1,933)	Concessionary Fares	9,158	5,757	(3,401)	-37.1%
871	Community Care	22,072	22,865	793	3.6%
247	Section 75 Learning Disabilities	19,358	19,248	(110)	-0.6%
1,445	Collection Fund *	-	1,445	1,445	0.0%
(118)	Total Council Controlled	220,731	218,612	(2,119)	-1.0%
486	S75 NHS & Community Care	14,291	14,296	5	0.0%
368	Total Corporate Criticals	235,022	232,908	(2,114)	-0.9%

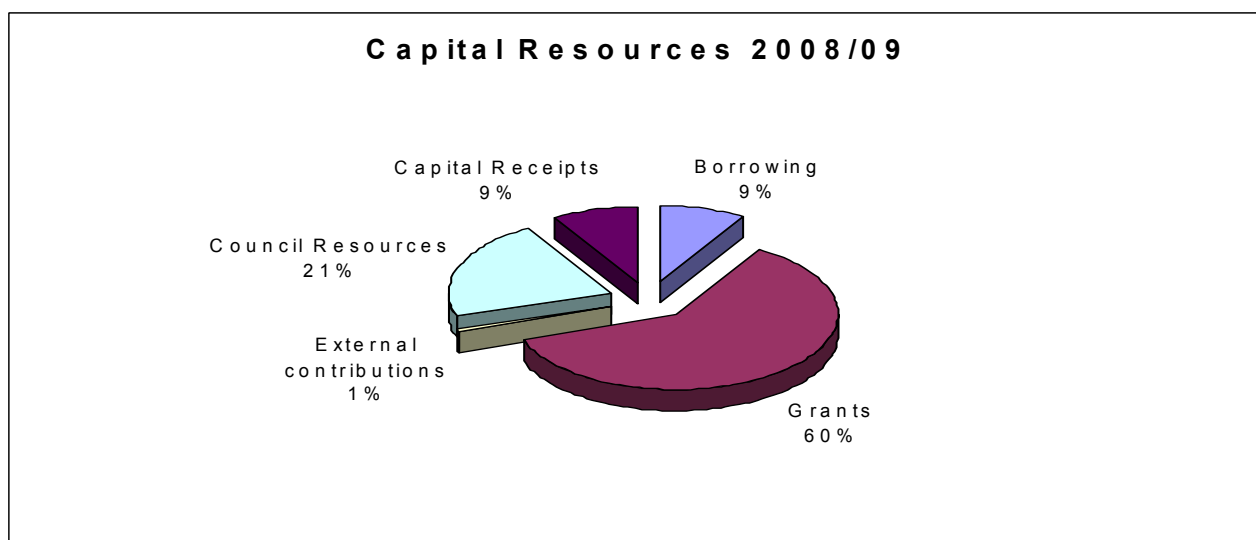
*Note: This does not reflect the actual performance (deficit) on the Collection Fund, but is the planned contribution to reserves approved in the Revenue Budget 2009/10 by Full Council toward the anticipated deficit in 2008/09. Actual performance on the Collection Fund, which achieved a lower than expected deficit of £0.161 million, will therefore be reflected in the budget and council tax setting process for 2010/11.

Capital Budget 2008/09

3.8 This part of the report provides Members with details of the capital programme provisional outturn for 2008/09, which highlights any programme slippage and

budget changes and seeks approval for carry forwards (re-profiling) to the 2009/10 programme.

3.9 The following pie chart shows the resources that have been utilised to fund the outturn.



Capital Forecast Outturn

3.10 As stated above, changes are proposed to the capital programme in the form of budget re-profile requests. These are detailed in Appendix 2. A summary of the proposed changes are shown in the table below.

Directorate	2008/09 Budget £000	Budget Reprofiles £000	Amended Budget £000	2008/09 Outturn £000	2008/09 Slippage £000	2008/09 (Savings) / Overspends £000
Strategy & Governance	110		110	117	(7)	-
Cultural Services	1,478	(161)	1,317	1,011	306	-
Finance & Resources	5,759	(187)	5,572	5,376	195	(1)
Adult Social Care & Housing	8,969	(207)	8,762	8,645	117	-
Housing Revenue Account (HRA)	14,728		14,728	14,541	283	96
Children & Young People's Trust	9,853		9,853	8,839	1,014	-
Environment	18,026	(2,995)	15,031	14,361	670	-
Total Capital Programme	58,923	(3,550)	55,373	52,890	2,578	95

The table shows that, excluding HRA schemes, the General Fund achieved a minor variance on a capital programme of nearly £53 million. A small overspend

variance of £0.96 million (less than 1%) was also achieved on the HRA capital programme which will be funded from revenue underspending as detailed in paragraph 3.14 below. Given the many factors that can affect capital programme costs, the achievement of these small variances indicates that sound financial controls and monitoring are in place.

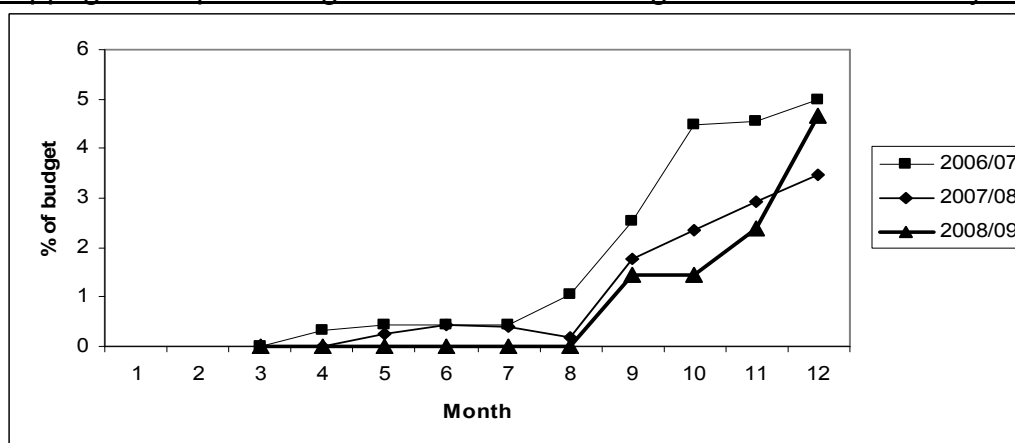
Budget Re-profiling

- 3.11 Re-profiling of a capital scheme may be required where delays have been identified due to factors outside of project managers' control. Re-profiling requests are summarised in the table above and Appendix 2 provide details of the reasons. The Cabinet are requested to agree to the re-profiling of capital budgets, which in most cases will result in the resources being moved from this year's capital programme to the next. Re-profiling requests do not result in any loss of resources to the council.

Capital Slippage

- 3.12 Project managers have identified that the net slippage on the capital programme amounts to £2.578 million, or 4.66% of the budget, as summarised in the table above. Appendix 3 details the significant projects that are included in the slippage. The graph below shows the trend over the last 3 years. Generally, the graph shows that capital programmes tend to start slipping during the winter period partly due to construction delays during periods of bad weather. Although most programmes will make some estimate for weather delays, Winter 2009 was harsher than expected. Forecast slippage also increases in the latter stages of the year where, for example, project managers will take a more prudent view of the likelihood of resolving ongoing contractual and other issues before the year-end. Late increases in slippage related to a number of ICT projects (for example, the new intranet) which it was hoped would complete by March 2009 but which for various technical reasons were ultimately delayed. Slippage on Devolved Schools capital budgets also increased late in the year by £0.433 million, however, the council has no control over these budgets which are managed by school governing bodies. The Civitias scheme, a grant funded scheme to improve sustainable transport safety and energy efficiency, also started a month late and slippage on this scheme increased significantly toward the end of the year. However, the level of slippage remains below the 5% target, which is a low level of slippage given the many and varied factors affecting capital programme completion. The slippage identified will not result in any loss or diminution of current or future resources to the council.

Slippage as a percentage of the amended budget over the last three years



Housing Revenue Account Capital Programme

- 3.13 The HRA Capital Programme Budget was increased during the last month of the year as some schemes accelerated their programmes by drawing funding either from previously re-profiled budgets or where funding was split over two years (this amounted to £1.644 million in total). The budgets in 2009/10 will be adjusted to reflect this. Slippage totaling £0.283 million represents 1.9% of the final budget for 2008/09, with the majority of the spend expected to be in early 2009/10. There is a small net overspend of £0.096 million which can be funded from an additional revenue contribution to capital, as reported in the HRA 2008/09 revenue outturn report. This resulted from an increase in the amount of work carried out for external repairs and damp proofing to properties through the minor works programme, as well as additional expenditure on lifts. Appendix 3 shows the significant project variances relating to slippage and the forecast overspend.

Comments by the Director of Finance & Resources

- 3.14 The provisional outturn position on the revenue budget shows a significantly improved position since month 9. The council has managed within budget despite significant financial pressures, particularly in the early part of the year. Strong financial management and controls have been a major contributing factor alongside the effective management of investments, borrowing and risk within the current economic climate.
- 3.15 Given the potential pressures in 2009/10 and beyond, including Single Status, energy costs and the impact of demographic changes and the economic climate, directorates will need to maintain control and downward pressure on costs and continually seek value for money improvements. Financial recovery plans will be prepared for the ongoing consequences of the outturn for 2008/09 in 2009/10 and reported in the Target Budget Management report for month 2 at Cabinet in July.

4. CONSULTATION:

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

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted:

Date:

Legal Implications:

- 5.2 In reaching its decisions in relation to its budget, the Council needs to have regard to a number of general points. It must provide the services, which, statutorily, it is obliged to provide. Where there is power to provide services, rather than a duty, it has discretion to provide such services. It must observe its other legal duties, such as the duty to achieve best value and comply with the Human Rights Act 1998. It must act in accordance with its general fiduciary duties to its Council Tax payers to act with financial prudence. Finally, it must 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: 26/05/09

Equalities Implications:

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

Sustainability Implications:

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

Crime & Disorder Implications:

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

Risk & Opportunity Management Implications:

- 5.6 The council's revenue budget and Medium Term Financial Strategy contain risk provisions to accommodate emergency spending, even out cash flow movements and/or meet exceptional items. The council maintains a working balance of £9 million to mitigate these risks as recommended by the Audit Commission and Chartered Institute of Public Finance & Accountancy (CIPFA). The council also maintains other general and earmarked reserves and contingencies to cover specific project or contractual risks and commitments.

Corporate / Citywide Implications:

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

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 The forecast outturn position on council controlled budgets is an underspend of £2.441 million, any underspend will be added to unallocated general reserves unless approval is given to allocate funds to specific reserves or contingencies.

7. REASONS FOR REPORT RECOMMENDATIONS:

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

SUPPORTING DOCUMENTATION

Appendices:

1. Directorate Revenue Outturn Forecasts
2. Proposed Capital Budget Re-profile Requests
3. Proposed Capital Slippage
4. Proposed new capital schemes 2009/10

Documents in Members' Rooms:

None

Background Documents:

None

Adult Social Care & Housing

Forecast Variance Month 9 £'000	Division	2008/09 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
-	Housing Strategy	4,779	4,779	-	0.0%
540	Adult Social Care	37,827	38,319	492	1.3%
540	Total	42,606	43,098	492	1.2%

Explanation of Key Variances

Adult Social Care has been under pressure throughout the year but the outturn shows a reduced overspend of £0.492 million, or just over 1%, representing an improvement of £0.048 million on the month 9 position. The main pressure has been on the demand-led corporate critical community care budget which is forecasting an overspend of £0.793 million, an improvement of £0.078 million in the last quarter. Further significant demand increases are being managed across Older People and Physical Disability Services.

The Older People Services outturn is an overspend of £0.005 million, the improved position being due to a reduction in client numbers at the end of the year.

The Physical Disability Services overspend is £0.788 million, a slight increase since month 9. Estimating demand for community care services is difficult as there are often peaks and troughs in demand. In addition, the budget process requires that demand is usually estimated around October of the previous year and commissioners will therefore base estimates on a combination of activity at that time together with an analysis of the medium term trend. If demand changes significantly during the period October to March or if planned recovery action or other measures to contain demand are not achieved in full, this can therefore mean that the budget for the following year becomes out of step with activity (demand). This situation occurred in 2007/08 where high levels of growth in demand for Physical Disabilities services meant that the budget was insufficient to cover the number of clients receiving services. A recovery plan was put in place in 2007/08 to reduce costs and contain demand. This was taken into account in assessing levels of demand for setting the 2008/09 budget. In the event, there was a shortfall in the recovery plan in 2007/08, although the budget was balanced by other measures, and there has been further unexpected growth in 2008/09 on both service areas. These two factors have resulted in the budget pressures experienced during 2008/09.

The overspend on the corporate critical budgets is partly offset by £0.200 million of grant funding being utilised for Older People Mainstream Services. A saving was also achieved on Service Strategy & Regulation, due in the main to a reduction in the forecast spend on jointly funded staff.

The provisional outturn includes a carry forward of £0.100 million in respect of the Carers Grant. Although held by Adult Social Care & Housing, this grant funds support to both adult and children's carers and support organisations. The carry forward is required in respect of children's services to meet contractual and other commitments in 2009/10 to ensure continued support for befriending services and the Aiming High programme for disabled children. In accordance with Financial Regulations, the carry forward requires Cabinet approval on the recommendation of the Director of Finance & Resources.

Children & Young People's Trust

Forecast Variance Month 9 £'000	Division	2008/09 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
371	East, Early Years & NHS Comm Servs	11,525	11,756	231	2.0%
306	Central Area & School Support	(7,063)	(6,501)	562	8.0%
(97)	Learning & Schools	5,854	5,892	38	0.7%
(342)	West Area & Youth Support	8,778	8,541	(237)	-2.7%
(1,452)	Specialist Services	30,252	28,471	(1,781)	-5.9%
(32)	Quality & Performance	1,156	1,035	(121)	-10.5%
(1,246)	Total	50,502	49,194	(1,308)	-2.6%

Explanation of Key Variances

The corporate critical budget of Child Agency Placements and In House Placements underspent by £1.182 million, an improvement of £0.210 million since month 9. A key reason for the improvement has been a slight fall in the number of residential placements. These relate to underspends on Residential Agency placements¹ of £0.853 million and In-house placements² of £0.456 million. Historically this has been a challenging area to manage and remains so, particularly in light of the heightened national and local focus on Children's Services. Although the figures reflect reductions in numbers and costs, current increased activity levels indicate there will be challenges to maintain this throughout 2009/10.

Other variances within the directorate included underspends on Area Social Care Teams of £0.336 million due to some recruitment issues, currently being addressed through the Social Work Recruitment and Retention Programme, and £0.174 million on legal fees. The main overspend relates to preventative payments to homeless families of £0.212 million which continues to be under pressure. There were also additional costs of £0.196 million relating to council's project costs for the Falmer Academy development, which was planned expenditure against projected underspends.

The provisional outturn includes two carry forward amounts totalling £0.078 million. The first is for School Development (£0.037 million), which relates to the need to cover staffing costs of a direct service to individual vulnerable (autistic) children. This is funded from the Standards Fund, which straddles financial years. The second is for Learning & Schools (£0.041 million) where work is being undertaken with the school advisory teams and the CYPT Quality and Performance Team on developing a new system to record school improvement work and data about schools across the city. This work will now stretch into 2009/10. In accordance with Financial Regulations, these carry forwards require Cabinet approval on the recommendation of the Director of Finance & Resources.

¹ Forecast FTE placements of 33 which is 8 less than budgeted for but with a weekly unit cost £102 above budget

² Forecast FTE placements 6 below the budgeted level and with a weekly unit cost that is £20 below budget

Finance & Resources

Forecast Variance Month 9 £'000	Division	2008/09 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
(209)	Finance	5,999	5,712	(287)	-4.8%
-	ICT	5,330	4,969	(361)	-6.8%
107	Customer Services	3,287	3,331	44	1.3%
25	Property & Design	1,712	1,877	165	9.6%
(77)	Total	16,328	15,889	(439)	-2.7%

Explanation of Key Variances

The Finance underspend of £0.287 million, which includes Strategic Finance & Procurement and Internal Audit, is due to vacancy management savings caused by higher than normal staff turnover together with savings on External Audit fees payable to the Audit Commission.

ICT underspent by £0.361 million. A number of posts within the service were vacant in the later part of the financial year, where recruitment has proved difficult. This created a saving against the employees budget and also meant that some non-critical project work was delayed creating further savings.

The Customer Services variance is made up of the following elements as follows:

- The corporate critical housing benefits budget achieved an underspend of £0.610 million due to the number of local authority errors being contained below the government's lower threshold, which attracts additional subsidy on top of any overpayment recovery for non council housing rent rebates.
- The Land Charges income budget is also a corporate critical budget and experienced a £0.559 million shortfall. The continued downturn in the housing market has dramatically reduced the overall number of searches undertaken and there is also a continuing increase in the proportion of personal searches being undertaken for which the council receives a much lower fee.
- The HM Coroner's Service overspent by £0.072 million due to a higher proportion of notifiable deaths in the City requiring inquests.

The outturn position for Property & Design is an overspend of £0.165 million; the increased variance is partly attributable to the costs of higher than usual turnover of lettings (and therefore "voids") due to economic conditions in the final quarter together with additional cleaning costs within corporate buildings.

A carry forward of £0.100 million has been included in the provisional outturn in respect of taking forward the value for money programme. This funding is proposed to be added to the Value for Money Initiative Fund as the projects are now being integrated into a coherent second stage value for money programme. In accordance with Financial Regulations, the carry forward requires Cabinet approval on the recommendation of the Director of Finance & Resources.

Strategy & Governance

Forecast Variance Month 9 £'000	Division	2008/09 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
-	Improvement & Organ Devel	1,704	1,655	(49)	-2.9%
-	Legal & Democratic Services	3,127	3,231	104	3.3%
-	Policy Unit	830	1,080	250	30.1%
(8)	Human Resources	4,590	4,406	(184)	-4.0%
(2)	Executive Office	395	405	10	2.5%
(2)	Communications	603	573	(30)	-5.0%
(12)	Total	11,249	11,350	101	0.9%

Explanation of Key Variances

Significant changes in staffing were required to service the new constitutional arrangements, which the directorate planned to deliver by efficiency savings and generating income. The exceptional one off costs of recruitment, consultant costs and shortfalls on income which had not been fully anticipated led to the overspend of £0.101 million. Vacancy management and income through fees and charges offset other staffing pressures across the directorate.

The Directorate's 2009/10 budget (cash limit) was increased by £0.150 million in recognition of the full year effect of the constitutional changes. This should ensure that any other in-year pressures that arise can be more effectively managed through vacancy management and/or the use of grants and external funding.

Environment

Forecast Variance Month 9 £'000	Division	2008/09 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
(200)	City Services	26,207	26,174	(33)	-0.1%
139	Sport & Leisure	1,676	1,761	85	5.1%
184	Sustainable Transport	(446)	(59)	387	86.8%
(112)	Public Safety	5,720	5,629	(91)	-1.6%
205	City Planning	2,055	2,316	261	12.7%
216	Total	35,212	35,821	609	1.7%

Explanation of Key Variances

City Services is £0.033 million under budget due to a reduction in vehicle costs and a part year saving on the Park Ranger posts. The saving has reduced during the last quarter due to additional temporary staffing costs following the recent major service changes in CityClean and additional costs arising from service disruption due to the adverse weather in February.

Sport & Leisure has an adverse variance due to continued difficulties in achieving income targets on Golf Courses and King Alfred resulting from a downturn in usage due to economic and other factors. There have also been utility and energy cost pressures at the King Alfred Leisure Centre. Expenditure constraints and a slight upturn in income receipts led to an improved position compared to month 9.

The total forecast for Sustainable Transport is an overspend of £0.387 million, a deterioration of £0.203 million since month 9. The key change has been a shortfall in income from the five former NCP car parks during the last quarter of the year. The overall variance can be analysed as follows:

- Penalty charge income came in very close to budget with a slight shortfall of £0.014 million.
- Income from all on-street and off-street parking and permit income came in under target by £0.294 million. On-street and permit income achieved break-even but a shortfall was experienced due to a downturn in patronage in the last quarter at the 5 former NCP car parks. This position will need to be closely monitored during 2009/10.
- Other expenditure exceeded budget by £0.079 million. The main pressure being energy costs from street lighting and traffic signals.

The Public Safety underspend is due to vacancy management savings, underspends on Civil Contingencies and additional licence fee income.

The City Planning overspend is in the main due to the loss of Housing and Planning Delivery Grant as a consequence of a delay in the Core Strategy to accommodate further work on the Shoreham Harbour Regeneration Project. Measures were taken to contain the pressure of £0.250 million. Other pressures included additional temporary staff in Development Control and the cost of a number of significant planning appeals.

Cultural Services

Forecast Variance Month 9 £'000	Division	2008/09 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
7	City Marketing	1,834	1,863	29	1.6%
41	Libraries	3,669	3,715	46	1.3%
146	Museums	2,192	2,324	132	6.0%
-	Arts & Creative Industries	1,616	1,629	13	0.8%
(37)	Economic Devlpmnt & Regen	3,479	3,462	(17)	-0.5%
-	Major Projects & Venues	179	182	3	1.7%
157	Total	12,969	13,175	206	1.6%

Explanation of Key Variances

Pressures from rising energy costs across the directorate accounted for £0.101 million of the overall overspend, the remainder being largely due to income shortfalls in the Museums Service although this improved slightly during the final quarter.

The implementation of the Value for Money review recommendations relating to income has resulted in actions and investment to maximise income generation opportunities including a new ticketing system for the Royal Pavilion. However, uncertainty over the impact of the economic downturn on the economy and in particular on visitor numbers may have an impact on the challenging income targets set for 2009/10 and beyond. For this reason, there will also be a greater focus on segmented rather than bottom-line monitoring of income against specific targets and detailed monitoring of visitor numbers and trading activity.

Whilst energy costs remain a key issue £0.060 million has been allocated to help offset the estimated pressure of £0.150 million in 2009/10.

Other measures are in place across the directorate, including vacancy management and reviewing the cost base of services, to mitigate the effects of external factors and/or cost pressures.

Centrally Managed Budgets

Forecast Variance	Division	2008/09 Budget	Forecast Outturn	Forecast Variance	Forecast Variance
Month 9		Month 12	Month 12	Month 12	Month 12
£'000		£'000	£'000	£'000	%
(350)	Bulk Insurance Premia	3,158	2,809	(349)	-11.1%
(1,933)	Concessionary Fares	9,158	5,757	(3,401)	-37.1%
(900)	Capital Financing Costs	(841)	(2,260)	(1,419)	168.7%
-	Levies & Precepts	192	192	-	0.0%
(220)	Other Corporate Items	(2,813)	(2,862)	(49)	1.7%
(3,403)	Total	8,854	3,636	(5,218)	-58.9%

Explanation of Key Variances

The bulk insurance premia underspend is due in the main to a saving on the renewal of the insurance contract. There have also been fewer insurance claim payments made than anticipated during the summer.

On Concessionary Fares, the original budget for 2008/09 was set at a time when the assessment of the risks of a successful legal challenge was relatively high and the impact of the national free travel scheme introduced on 1 April 2008 was very hard to predict with accuracy. With 9 months data now received, spending is projected to be £3.4 million below the original budget and £1.5 million below the forecast at month 9.

The main reasons for the underspend are:

- The risk of successful legal challenge by the bus operators has substantially diminished and the provision for a higher reimbursement rate was not considered necessary from August 2008 onwards.
- The forecast impact of the introduction of the national free scheme has not been as significant as originally anticipated.
- Poor weather throughout most of the year has kept the number of concessionary journeys below original forecasts.

Although spending in 2008/09 is projected to be well below budget, local council taxpayers have still had to meet an estimated £1.855 million shortfall in government funding following the introduction of the free fare scheme in April 2006 and the free national scheme in April 2008.

The concessionary fares budget for 2009/10 approved at Council in February 2009 took into account a reduction in the reimbursement rate and revised number of journeys, however since February the Council has set up the new concessionary fares scheme for Brighton & Hove only and expenditure estimates have been revised. These revised budget estimates for 2009/10 will mean a further £0.750 million can be released from this budget on a recurrent basis to corporate contingency. An allocation from these resources is included elsewhere in this report.

The "Other Corporate Items" underspend has reduced due to an additional contribution to the Sundry Debts bad debt provision of £0.150 million. This is not directly related to debt recovery performance but is an accounting provision related to an increase in the overall value of debts raised by the authority during the year.

Section 75 Partnerships

Forecast Variance Month 9 £'000	Division	2008/09 Budget Month 12 £'000	Forecast Outturn Month 12 £'000	Forecast Variance Month 12 £'000	Forecast Variance Month 12 %
247	Council managed S75 Servs	22,761	22,780	19	0.1%
486	NHS Trust managed S75 Servs	14,291	14,296	5	0.0%
733	Total S75	37,052	37,076	24	0.1%

Explanation of Key Variances

Council managed S75 services (Learning Disability Services) overspent by £0.019 million, which is a significantly improved position compared with the month 9 forecast. This is due in the main to the finalising of funding allocations from the Primary Care Trust for outstanding Continuing Health Care cases.

NHS Trust managed S75 services achieved an overspend of £0.005 million, which is explained below:

- Sussex Partnership Trust (SPT) – Mental Health & Substance Misuse overspent by £0.507 million with the main pressures being on Adult Mental Health due to increased demand and high cost placements within Nursing Care. This overspend is offset by an underspend on Older Peoples Mental Health services of £0.176 million which has experienced lower than anticipated demand throughout the year. The outturn position also reflects a contribution of £0.300 million from Sussex Partnership Trust in accordance with risk sharing arrangements agreed with the Trust and the Primary Care Trust.
- South Downs Health Trust – This service achieved a break-even position for the year. The final overspend on Integrated Community Equipment Store (ICES) was £0.020 million, which was offset by savings made within the integrated Intermediate Care service.

Housing Revenue Account (HRA)

Forecast Variance Month 9		2008/09 Budget Month 12	Forecast Outturn Month 12	Forecast Variance Month 12	Forecast Variance Month 12
£'000	Housing Revenue Account	£'000	£'000	£'000	%
(383)	Employees	9,043	8,499	(544)	-6.0%
18	Premises – Repair	11,897	11,895	(2)	0.0%
29	Premises – Other	2,923	3,165	242	8.3%
(69)	Transport & Supplies	2,160	1,929	(231)	-10.7%
20	Support Services	2,300	2,267	(33)	-1.4%
80	Revenue contribution to capital	2,242	2,338	96	4.3%
(33)	Capital Financing Costs	4,941	4,897	(44)	-0.9%
53	Subsidy Payable	11,494	11,539	45	0.4%
(285)	Net Expenditure	47,000	46,529	(471)	-1.0%
(83)	Dwelling Rents (net)	(40,479)	(40,541)	(62)	-0.2%
(2)	Other rent	(1,209)	(1,203)	6	0.5%
(100)	Service Charges	(3,428)	(3,485)	(57)	-1.7%
3	Supporting People	(550)	(566)	(16)	-2.9%
94	Other recharges & interest	(1,085)	(929)	156	14.4%
(88)	Net Income	(46,751)	(46,724)	27	0.1%
(373)	Total	249	(195)	(444)	

Explanation of Key Variances

The main variances are:

- An underspend on Salary costs of £0.544 million arising from vacancy management pending reviews to be implemented as part of the Housing Management Improvement Programme, including a £0.060 million provision for the implementation of single status.
- The premises repairs budget outturn is an underspend of £0.002m which is a reduction in the forecast of £0.020 million since month 9. Although the Repairs outturn variance is not significant, the following variances are included within the forecast:
 - There is an underspend of £0.210 million on the responsive repairs budget (3.75% of total £5.6 million budget), which was an improvement of £0.310 million compared to forecasts at month 9. The close management of larger responsive repairs and the collaborative work with partners to improve the diagnosis of repairs and performance on job completion times has delivered savings against this budget.
 - The empty property repair budget overspend is £0.332 million, an increase of £0.082 million since month 9. The overspend is due to an increase in the average cost of repair per property from £2,300 to £2,600 compared to last year. These works have been operating through the open book process since December 2008 with a move to a more transparent cost model for empty properties. This will enable officers to work with partners to use this information to achieve unit cost reductions in 2009/10.
 - An underspend on service contracts of £0.230 million due to the continuation of existing contracts which have a lower specification than the

new proposed contracts, the costs of which have been budgeted for and will be let in 2009/10.

- Repairs and Maintenance expenditure on Temporary Accommodation properties exceeded the annual budget by £0.065 million.

- The “Premises Other” outturn is an overspend of £0.242 million, which is an increase of £0.213 million since month 9. The overspend is partly due to a provision being made in relation to outstanding gas bills at Leach Court. Officers have been investigating previous years’ low heating charges, which has resulted in the utility provider issuing correct billing going back to 2004/05. This will not affect charges to tenants, as an allowance for incorrect invoicing had been made when calculating their charges. Expenditure for electricity has overspent by £0.068 million compared to budget forecasts.

- The underspend reported under Transport & Supplies is due mainly to a reduction in the contribution to the bad debt provision of £0.122 million resulting from a reduction in the level of tenants arrears at the end of the financial year. Also, a reduction in the use of consultants in respect of inspections to gas installation works has resulted in an underspend of £0.094 million.

- The Revenue Contribution to Capital was increased by £0.096 million to finance increased expenditure in the capital programme.

- Rental income for dwellings overachieved against the budget by £0.063 million due to lower than anticipated Right to Buy sales during the year.

- The income budget for service charges overachieved by £0.057 million in respect of leaseholder service charges, due to costs for recharging being greater than anticipated at budget setting.

- The Other Recharges & Interest forecast income has reduced by £0.062 million to £0.156 million under-achievement. This is partly due to a reduction of staff time chargeable to capital schemes as a result of less works being capitalised i.e. now being carried out as revenue expenditure, together with the re-profiling of some of the capital budget into 2009/10. The forecast under achievement of income also includes £0.056 million reduction of fees reclaimed from RTB sales income, this is offset by reduced expenditure under the supplies heading.

Summary of re-profiles of budget due to factors outside the Council's control

Directorate	Budget Change 2008/09 £	Budget Change 2009/10 £	Budget Change 2010/11 £	Budget Change Total £
Culture & Enterprise	(161)	161		-
Finance & Resources	(187)	187		-
Adult Social Care & Housing	(207)	207		-
Environment	(2,995)	2,895	100	-
Total	(3,550)	3,450	100	-

Detailed Explanations of the Reprofiles

Culture & Enterprise

Directorate: Cultural Services	Approved Budget: £125,000
Project Title: Brighton Centre	Revised Budget: £72,900
	Variation: £(52,100)

The Heads of Terms between Standard Life and Brighton & Hove City Council were exchanged and executed in December 2008. Standard Life despatched the contract notice for publication in OJEU on 13 January 2009 to initiate the procurement process to appoint a Lead Architect and the professional development team to undertake a first stage feasibility design and study. At the same time in January, the project budget was re-profiled as part of the review of Capital Resources and Capital Investment Programme 2009/10 in line with the indicative timetable for the next 12 to 15 months through to March 2010. Standard Life's procurement timetable has slipped by approximately 6 to 8 weeks so a small readjustment of the budget profile is required.

Directorate: Cultural Services	Approved Budget: £142,000
Project Title: Pavilion Security Control	Revised Budget: £33,390
	Variation: £(108,610)

Expenditure on the relocation of the Royal Pavilion Security Control Room has been delayed due to a longer than expected period for agreeing the procurement process for the supply of new equipment. Enabling works to the area where the Control Room will be located have now taken place and the contract for the equipment has been awarded. We are in the process of arranging to meet with the contractor to discuss details for the start of the works and anticipate that work itself should begin in the next few weeks.

Finance & Resources

Directorate: Finance & Resources	Approved Budget: £135,000
Project Title: Asbestos Surveys	Revised Budget: £82,370
	Variation: £(52,630)

Due to the number of asbestos surveys being carried out, the company which won the tender has been unable to complete all the required surveys in the 2008/09 period, because of the QA (checking) procedure which is required to enter data onto the online asbestos register. Quality of data input is more important than speed of input, and it was therefore decided to extend the contract period by two months; hence the contractor will not be reimbursed until all the data is uploaded in 2009/10.

Directorate: Finance & Resources	Approved Budget: £125,000
Project Title: Madeira Lift Refurbishment	Revised Budget: £48,350
	Variation: £(76,650)

Phase 1 of the work to make safe the lift roof void and then undertake a full structural inspection is complete. Negotiations between Property & Design, our insurers Zurich and conservation planners were required to ensure agreement that the historic grade 2 listed lift could be adapted for safe operation to the satisfaction of the insurers. This delayed the finalisation of the specification for Phase 2, the lift works, which are now in progress.

Directorate: Finance & Resources	Approved Budget: £619,510
Project Title: DDA Access Works	Revised Budget: £560,850
	Variation: £(58,660)

Delays to this year's Disability Discrimination Act access programme have been caused by a variety of factors including awaiting Landlord's consent for proposed changes, awaiting agreement from Conservation Planners for alteration works to historic listed buildings, and clarification needed from the council's insurers Zurich regarding the change of use of a goods lift. Other alteration works at one site have also delayed access improvement works and the programme has required extensive consultation to ensure value for money and find solutions to circumvent or remove barriers. The DDA Access Works is a rolling programme of improvements to meet Council targets. Re-profiled funding will be used to further improve access to services.

Adult Social Care and Housing

Directorate: Adult Social Care & Housing	Approved Budget: £6,377,000
Project Title: Private Sector capital	Revised Budget: £6,170,000
	Variation: £(207,000)

Expenditure under this heading is dependent upon the completion of works by individual applicants following approval of applications for Housing Renewal Assistance.

The unspent sum at year-end relates to funding assistance we have identified for a major capital project that has been held up due to unexpected delays outside of the council's

control that occurred very late in the financial year. Work was due to commence in January 2009 however it has taken longer than anticipated for the landlord to obtain the necessary planning permissions. This was not anticipated at the time of reporting for month 9. The project is expected to proceed in the new financial year. The funding allocation to the Council is in the form of a grant that can be carried forward to the following financial year.

Environment

Directorate: Environment	Approved Budget: £615,000
Project Title: Communal Bins Extension	Revised Budget: £222,980
	Variation: £(392,020)

Due to the complex specification for the new communal bin vehicles, a short delay has been experienced in receiving the vehicles from the supplier. The communal bin roll out is progressing as planned.

Directorate: Environment	Approved Budget: £369,340
Project Title: Purchase of vehicles for Cityparks	Revised Budget: £228,550
	Variation: £(140,790)

A delay has followed road testing of a number of different vehicles which failed to achieve expectations and required new vehicles to be specified and acquired.

Directorate: Environment	Approved Budget: £63,250
Project Title: Cityparks Waste Compactor Composting in Stanmer	Revised Budget: £ nil
	Variation: £(63,250)

A specification for the site has been submitted to the Environment Agency but a response from the Agency is still awaited, resulting in the need to re-profile the budget.

Directorate: Environment	Approved Budget: £860,000
Project Title: King Alfred – Health & Safety Works	Revised Budget: £142,070
	Variation: £(717,930)

Elsewhere on this agenda is a detailed report on the King Alfred health and safety works.

Directorate: Environment	Approved Budget: £317,500
Project Title: Horsdean Travellers Site Improvements	Revised Budget: £150,600
	Variation: £(166,900)

The start of works was delayed due to Travellers remaining on site for longer than anticipated and therefore no access was possible for contractors. The cold weather at the start of the year also delayed the concrete pouring process. When works started on site in became clear that an amendment was needed to the specification to ensure most effective use of the space.

Directorate: Environment	Approved Budget: £2,260,000
Project Title: Lanes and London Road Car Park Improvements	Revised Budget: £939,440
	Variation: £(1,320,560)

Delivery of these two major improvement projects was not feasible before the end of March 2009 due to fixed time processes (OJEU procurement and Cabinet Approval for additional funding) that could not be shortened. Delays in obtaining the necessary planning permission for each car park contributed to the extended timeframe. In addition, normal project processes such as design, mobilisation and implementation require more time with 18 – 24 months being the normal timeframe for this type of project. By the end March 2009 just under 12 months had elapsed.

Parking capacity was always projected to be reduced during the works and therefore the delay simply means that the reduced capacity has happened later. Staff parking and hotel parking have been re-located to Regency Square during the course of the works.

Directorate: Environment	Approved Budget: £1,384,000
Project Title: Ex leased car parks Improvements	Revised Budget: £1,189,150
	Variation: £(194,850)

The return of the ex-leased car parks happened later than expected due to legal complications during the negotiation with NCP. Improvement works (accounting for the remainder of the budget) will proceed at the Lanes and London Road and will require design, planning permission, procurement, mobilisation and implementation requiring circa 18 months overall duration.

2009/10 £	2010/11 £	2011/12 £	2012/13 £
100,000	94,850		

Slippage of budget into 2009/10

Details of slippage of £50,000 or more

Culture & Enterprise

Directorate: Cultural Services	Approved Budget: £305,000
Project Title: Contact Centre, Ticket & Web Build	Revised Budget: £134,600
	Variation: £(170,400)

The call centre element of the capital scheme was completed in March 2009 and the invoices relating to the scheme are being paid now. The ticketing system supplier has been chosen and work on installation with completion due in June 2009 when final invoices will be paid. Website work is due for completion in June 2009 with only a retainer still due for payment.

Finance & Resources

Directorate: Finance & Resources	Approved Budget: £86,560
Project Title: Electronic Relationship Management	Revised Budget: £14,100
	Variation: £(72,460)

Finance & Resources ICT are in the process of upgrading the electronic relationship system to the latest version and this has been delayed due to other dependencies beyond ICT's control. Furthermore, the council will be looking to integrate this system with the new GIS and a mobile working solution for CityClean. These projects will introduce new working practices and efficiencies.

Directorate: Finance & Resources	Approved Budget: £51,520
Project Title: Mobile & Flexible Working	Revised Budget: £(14,830)
	Variation: £(66,350)

This budget was intended to finance a Mobile & Flexible working project in Adult Social Care and depended on proving the business case for Mobile & Flexible working for Care Managers. This pilot has not been able to prove the business case and therefore the project will not proceed in its current form. The amount is greater than the budget as it includes a previous year carry forward. This budget is now to be linked to initiatives to support a wider corporate accommodation strategy.

Directorate: Finance & Resources	Approved Budget: £70,000
Project Title: SharePoint 2007 implementation	Revised Budget: £ 19,960
	Variation: £(50,040)

Migration from the Lotus Notes Wave (the Council's Intranet) has taken longer than anticipated. There has been a change to the Executive on the Project Board and there is now a clear direction to move forward with developments. Resources have also been limited and skills in this area are in short supply. The new Wave is scheduled to go live on 1st June utilising Microsoft SharePoint technology within the Council's enterprise agreement. Further developments in the project will be directed by the project board.

Adult Social Care and Housing

Directorate: Adult Social Care & Housing	Approved Budget: £358,000
Project Title: Adaptations	Revised Budget: £290,000
	Variation: £(68,000)

It is very difficult to accurately predict the level of funding needed for Adaptations during the financial year. This is because the service is reliant on contractors being available to carry out the installation of minor adaptations and there are often delays to major adaptations work (which is the most significant part of the budget). Demand is also very difficult to predict.

Environment

Directorate: Environment	Approved Budget: £754,000
Project Title: CIVITAS	Revised Budget: £84,760
	Variation: £(669,240)

This programme started a month later than anticipated in October 2008 and this was followed by a period where the council recruited the necessary resources to deliver the programme. Therefore, financial slippage has been experienced. An additional consideration is the over-resourcing of the original proposal compared with current cost estimates. Despite a later start, all projects within the programme are currently on or ahead of progress (if not spending) target, and therefore overall slippage is not considered a risk. Progress to date suggests that the programme will be delivered on, if not before, target.

Children & Young People's Trust

Directorate: CYPT	Approved Budget: £3,231,770
Project Title: Schools Devolved Capital	Revised Budget: £2,798,530
	Variation: £(433,240)

Devolved Formula Capital is a financial resource that is devolved to schools by the Local Authority. Schools have the option to accrue the money for a maximum of 3 years. However, accrued funds are normally retained by the Local Authority. The outturn figures represent the amount of variation schools are anticipated to request by the end of the school year.

Directorate: CYPT	Approved Budget: £2,090,390
Project Title: Varndean School Extension	Revised Budget: £1,970,900
	Variation: £(119,490)

Outstanding payments on this scheme will be due in 2009/10. In addition some initial costs were met from advanced design and savings are being identified on the final account.

Directorate: CYPT	Approved Budget: £366,680
Project Title: School Access Initiative 2008/09	Revised Budget: £269,830
	Variation: £(96,850)

This funding will form contributions to major works at Balfour Junior, Davigdor Infant and Peter Gladwin Primary Schools where there will be elements in the design to enable DDA compliance.

Adult Social Care and Housing

HRA Capital Schemes

Directorate: Adult Social care & Housing (HRA)	Approved Budget: £3,309,110
Project Title: Heating	Revised Budget: £3,236,510
	Variation: £(72,600)

Heating works are provided through an efficient five year install and maintenance programme. A small amount of slippage of £72,600 will be added to the approved 2009/10 Heating Programme budget and be spent in the 1st quarter of 2009/10.

Directorate: Adult Social care & Housing (HRA)	Approved Budget: £156,490
Project Title: Procurement Strategy	Revised Budget: £57,740
	Variation: £(98,750)

The procurement strategy budget relating to Strategic Stock Options remains partly underspent whilst the Asset Management Strategy is still in development and this unspent budget is therefore being transferred to 2009/10.

Directorate: Adult Social care & Housing (HRA)	Approved Budget: £110,000
Project Title: General Refurbishment	Revised Budget: £34,480
	Variation: £(75,520)

Somerset & Wiltshire Structural Repairs - £75,520

The majority of the budget for Somerset and Wiltshire High Rise blocks had already been reprofiled into the 2009/10 financial year, as a result of planning being granted on 3rd March 2009, with works scheduled to start in the first quarter of 2009/10 after leaseholder consultation. Due to the fact that this was so close to the end of the financial year, a further amount of budget for this project, £75,520, will now slip into 2009/10.

Explanations of overspends (and underspends) of over £50,000 within the total overspend

Adult Social Care and Housing HRA Capital Schemes

Directorate: Adult Social care & Housing (HRA)	Approved Budget: £238,750
Project Title: Procurement	Revised Budget: £132,230
	Variation: £(106,520)

It has previously been reported that due to its complexity, the procurement process for the new long term Repairs, Maintenance and Refurbishment Strategic Partnership for Housing Management has taken longer than expected. The commencement date for the contract remains April 2010, however, the contract award will now be summer 2009. A budget of £306,000 for procurement of this contract has been approved for expenditure in 2009/10 as part of the 2009/10 Housing Capital Programme. Any unspent monies from the 2008/09 procurement budget will offset other variances within the 2008/09 programme.

The underspend was used to fund other areas of the Housing Capital Programme during 2008/09 and variation reports for these are also included in this report

Directorate: Adult Social care & Housing (HRA)	Approved Budget: £521,890
Project Title: Minor capital Works	Revised Budget: £721,000
Technical Services	Variation: £199,110

This expenditure relates to the capitalisation of responsive repairs carried out during 2008/09. Over the course of the year the directorate has carried out a large amount of external repairs and damp proofing to properties, with some kitchens and bathrooms also being installed under this budget, which have contributed towards Decent Homes performance.

The overspends in the 2008/09 Housing Capital Programme have been met from underspends reported elsewhere in the Programme and from an additional revenue contribution reported in the 2008/09 HRA Revenue outturn report.

Directorate: Adult Social care & Housing (HRA)	Approved Budget: £312,210
Project Title: Minor capital Works - Planned	Revised Budget: £521,480

Variation: £209,270

Minor capital works were accelerated, within the flexibility of the works contract, to carry out minor works whilst scaffolds were in place on other schemes in the Housing Programme, an example being Philip Court. Although increasing the spend in this financial year, this reduces the costs of these minor works overall, thereby achieving better value for money.

The overspends in the 2008/09 Housing Capital Programme have been met from underspends reported elsewhere in the Programme and from an additional revenue contribution reported in the 2008/09 HRA Revenue outturn.

Directorate: Adult Social care & Housing (HRA)	Approved Budget: £140,300
Project Title: Newstead Flats Refurbishment	Revised Budget: £213,600
	Variation: £73,300

The original budget costs for the 2007/08 capital programme were based on an original estimate and tender. Additional work was identified to complete the refurbishment of these flats and a new tender and contract was entered into. The delay incurred by this resulted in slippage of the project which was identified in the final quarter of the last financial year. An additional £99,700 was identified as being required to complete the works, including consultant's fees, for the 2008/09 budget.

After the demise of the council's consultants, Erinaceous, a cost reduction was identified as the contract administration for these works was subsequently taken up by the council's in-house team.

The additional spend, amounting to £73,300, was principally made up of:

Kitchen refurbishments £30,000

Electrical rewires £31,000

The remaining cost is spread amongst the other elements retendered.

The overspends in the 2008/09 Housing Capital Programme have been met from underspends reported elsewhere in the Programme and from an additional revenue contribution reported in the 2008/09 HRA Revenue outturn.

Directorate: Adult Social care & Housing (HRA)	Approved Budget: £471,900
Project Title: Door Entry systems	Revised Budget: £299,250
	Variation: £(172,650)

Albion Hill DES (£50,000)

This project has achieved a £50,000 underspend compared to the original estimate for the project. The same level of work has been undertaken, but the winning bidder had a very competitive price.

Item 12 Appendix 3

A technical consultant was engaged to examine the winning bid to ensure the tender was reasonable and achievable.

Minor Door Entry Systems (£110,000)

Funds were requested at the beginning of 2008/09 for a number of replacement Door Entry Systems. Once funding was secured, a full technical survey was undertaken on each of these systems. It was deemed better value for money to fix some of these systems, rather than replace or overhaul them at this stage. This is especially relevant as the new Door Entry Systems Service Contract currently being procured, will deliver more competitive unit rates.

The underspend was used to fund other areas of the Housing Capital Programme during 2008/09 and variation reports for these are also attached in this report.

Directorate: Adult Social care & Housing (HRA)	Approved Budget: £162,200
Project Title: Lifts	Revised Budget: £22,230
	Variation: £60,030

The Lifts budget is a responsive budget and it is therefore difficult to determine the level of spend when setting the budget at the beginning of the year. The increased spend occurred in the last two months of the financial year.

The overspends in the 2008/09 Housing Capital Programme have been met from underspends reported elsewhere in the Programme and from an additional revenue contribution reported in the 2008/09 HRA Revenue outturn.

Directorate: Adult Social care & Housing (HRA)	Approved Budget: £663,840
Project Title: Major Voids – Empty Homes Team	Revised Budget: £455,930
	Variation: £(207,910)

A lower than forecast spend was achieved in the Major Voids budget as a result of the cost of the installation of kitchens and bathrooms in Empty Properties being charged directly to the kitchens and bathrooms budget since December.

The underspend was used to fund other areas of the Housing Capital Programme during 2008/09 and variation reports for these are also attached in this report.

New schemes in 2009/10

Directorate: Environment

Project Title: Playbuilder project

Budget: £1,127,840

Brighton & Hove City Council has been successful in receiving £1,127,840 over two years from the Department of Children, Schools and Families (DCSF) for play pathfinder and playbuilder capital grant related expenditure.

The DCSF is investing significant funding in play as part of a three year programme from 2008/09 to 2010/11. Brighton & Hove City Council will receive grant funding based upon three variables: deprivation, building costs and child population. The grant is to be used to develop new and existing public play areas

2009/10 £	2010/11 £	2011/12 £	2012/13 £
530,200	597,640		

Subject: *Statement of Accounts 2008/09*
Date of Meeting: **30 June 2009**
Report of: *Director of Finance & Resources*
Contact Officer: Name: **Jane Strudwick** Tel: **29-1255**
E-mail: jane.strudwick@brighton-hove.gov.uk
Wards Affected: All

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

- 1.1 Under the current Accounts and Audit Regulations, the council's Statement of Accounts for 2008/09 must be approved by Members by the 30 June 2009. Under Brighton & Hove City Council's constitution, the Audit Committee is charged with this responsibility.
- 1.2 The report presents the Statement of Accounts for 2008/09. Copies of the Statement of Accounts are available in the Members' rooms. At this stage, the accounts have not been fully audited by the District Auditor. It is expected that the District Auditor will present an Annual Governance Report to the September meeting of this committee on the conclusion of the audit of the 2008/09 financial statements.

2 RECOMMENDATIONS:

The Committee is asked to:

- (1) Approve the Statement of Accounts for 2008/09 and note that these are subject to audit.
- (2) Note that actual revenue outturn for the council for 2008/09 was an underspend of £3.308 million.
- (3) Note the budget changes and future commitments totalling £2.500 million approved by Cabinet on 11 June 2009.
- (4) Note that individual overspendings and underspendings will not be carried forward to 2008/09 and that the £3.308 million underspend has been transferred to General Reserves
- (5) Note that there was a deficit on the Housing Revenue Account for the year of £1.748 million.
- (6) Note the provisions and contingent liabilities included in the accounts.

3 RELEVANT BACKGROUND INFORMATION:

- 3.1 The main legislative requirements relating to the preparation, publication and audit of the council's accounts are contained in the Audit Commission Act 1998 and both the Accounts and Audit Regulations 2003 and the Accounts and Audit (Amendment) Regulations 2006, made under Section 27 of the 1998 Act.
- 3.2 It is a requirement that the annual accounts should be prepared as soon as practicable after the end of the financial year and considered by a committee or Full Council, and approved by a resolution of that committee, or meeting by the 30 June. The accounts must then be published and signed off by the external auditor as soon as reasonably possible after conclusion of the audit and by the 30 September.

4 ANNUAL GOVERNANCE STATEMENT:

- 4.1 The Statement of Accounts includes the Annual Governance Statement. The statement sets out the systems in place to manage the council's risks efficiently, effectively and economically. The Annual Governance Statement includes the findings of the review of the internal control operating in the council. The committee is required to approve the Annual Governance Statement to comply with the Accounts and Audit Regulations 2003 and the Accounts and Audit (Amendment) Regulations 2006. The statement and approval are covered specifically under a separate agenda item.

5 FORMAT OF THE ACCOUNTS:

- 5.1 In accordance with the above regulations, the Statement of Accounts includes an explanatory foreword, a statement of accounting policies adopted and a statement of responsibilities together with the core financial statements, supplementary statements and the notes to the accounts.
- 5.2 Local Authority accounts are currently designed to be compliant with Generally Accepted Accounting Principles, known as "UK GAAP", to ensure that, in principle, the accounts are consistent and comparable with accounts across public, private and charity sectors. This is also to aid the consolidation of local authority accounts into "Whole of Government Accounts" which incorporate all public sector organisations.
- 5.3 The committee are advised, however, that in future years there will be a fundamental shift in the format of the accounts toward International Accounting Standards rather than the UK GAAP standard. New International Financial Reporting Standards (IFRS) have already been developed and

applied to some areas, for example, Financial Instruments, and will be increasingly applied until full compliance is achieved for the 2010/11 accounts.

- 5.4 The statement would normally comprise both “Single Entity Accounts”, which are in respect of wholly council controlled activities, and “Group Accounts” in respect of activities where the council has a significant interest or share in a subsidiary, associate or joint venture entity. However, there are no other activities requiring the preparation of Group Accounts in 2008/09.
- 5.5 The Single Entity core financial statements included within the Statement of Accounts comprise the following:-
- **Income and Expenditure Account (I&E)** – which is the council’s main revenue account covering income and expenditure on all services. This statement is fundamental to the understanding of the council’s activities in that it reports the net cost for the year of all the functions for which the council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The services are categorised in line with the Best Value Accounting Code of Practice (BVACOP) issued by CIPFA; this is to ensure consistency in the reporting with other local authorities.
 - **Statement of Movement on the General Fund Balance (SMGFB)** – this complex statement immediately follows the Income and Expenditure Account and essentially reverses out entries in the Income and Expenditure Account that, while ensuring compliance with reporting standards (i.e. UK GAAP), are not chargeable within the Council Tax demand. For example, the Income and Expenditure Account includes depreciation charges to recognise the wearing out of assets, however, council’s may only take account of the actual cost of servicing borrowing used to finance the acquisition or construction of those assets. Depreciation is therefore reversed out in the Statement of Movement on the General Fund Balance and replaced with the appropriate principal and interest repayments on outstanding debt.
 - **Statement of Total Recognised Gains and Losses (STRGL)** – which shows all gains and losses including those not included in the Income and Expenditure Account; for example, revaluations of Fixed Assets and the Pensions Fund. This statement brings these gains and losses together with the surplus or deficit on the Income and Expenditure Account to show the total movement in the council’s net worth for the year (Net Worth is explained below).
 - **Balance Sheet (BS)** – which sets out the financial position of the council as at 31 March 2009. This statement is fundamental to the understanding of the council’s financial position at the year end as it shows the council’s balances and reserves, its long term indebtedness

and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held. The statement shows the assets and liabilities of the council balanced by its net worth. Net worth is therefore equivalent to assets less liabilities.

- **Cash Flow Statement** - this statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

5.6 The supplementary statements comprise the following:-

- Housing Revenue Account Income and Expenditure Account
- Collection Fund Account
- Section 75 Memorandum Accounts (under the Health Act 2006)
- Trust Fund Accounts

5.7 The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting, a Statement of Recommended Practice (SORP) issued in 2008/09 by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also in accordance with guidance notes issued by CIPFA on the application of the SORP. The Statement of Accounts is intended to give electors, members, employees and other interested parties clear information about the council's finances.

5.8 The purpose of the Statement of Accounts is to provide information to a whole range of stakeholders and the general public and provide answers to basic questions such as:

- What did the council's services and capital programme cost in 2008/09?
- Where did the money come from?
- What does the council own?
- What commitments does the council have and what provisions and reserves has the council set against these?
- What amounts were due and what was owed at the end of the financial year?

5.9 By complying with the Code of Practice, the council has followed a consistent basis of accounting that narrows the areas of difference and variety in accounting treatment, which then enables more meaningful comparison with the published accounts of other local authorities. Unfortunately, adhering to the Code means that there is limited opportunity to make the accounts particularly "user friendly" to members, stakeholders and the general public. Therefore, wherever possible, notes to the accounting statements have been written in plain English but in certain cases it has not been possible to avoid technical terms. A glossary has been included at the back of the Statement of Accounts. Key information in relation to council finances is also communicated

through other publications including the Council Tax Leaflet, Summary Accounts and the Annual Report, which attempt to present information in a more user-friendly way.

- 5.10 The District Auditor is currently working on the audit of the accounts and will be reporting their findings to this Committee in September 2009 through the Annual Governance Report. Following this report, the District Auditor will be able to issue their audit opinion and the accounts will be published.
- 5.11 As the accounts have not been fully audited by the District Auditor, it is possible that some changes will be incorporated prior to the issuing of the audit opinion. It is a statutory requirement that any material changes must be reported to Members.
- 5.12 In addition to publishing the Statement of Accounts, the council will produce an annual report including summary accounts as was the case in 2007/08.

6 CHANGES TO ACCOUNTING STANDARDS:

- 6.1 The council adopted the following changes to accounting policies for the 2008/09 accounting period as required by the changes to the reporting standards:
- As a result of an amendment to FRS 17, "*Retirement Benefits*", quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid market value;
 - The introduction of the requirement to recognise impairment of Financial Instruments in the Balance Sheet for non statutory debt, which replaces the previous provisions for bad and doubtful debts;
 - The introduction of the term "Revenue Expenditure Funded from Capital Resources (under statute)" to replace the term "deferred charges". This relates to capital expenditure for which the council does not have an asset;
 - The change in accounting for the disposal of fixed assets prohibiting the revaluation of assets on disposal. The gain or loss on the disposal of fixed assets is now calculated as the difference between the sale price and the carrying value of the asset.
- 6.2 In 2008/09, the council implemented a new fixed asset/capital accounting software package in response to the increasingly complex capital accounting requirements, particularly the changes introduced by the 2007 SORP; this replaced the manual system of recording fixed asset information. The introduction of this software gave the council the opportunity to review its policy of calculating depreciation for revalued assets.

7 TARGETED BUDGET MANAGEMENT (TBM):

- 7.1 During 2008/09, Cabinet received regular Targeted Budget Management (TBM) reports in respect of the council's expenditure against the Budget. A revenue outturn report was taken to Cabinet on 11 June 2009 showing a provisional underspend of £4.088 million after adjusting for the planned contribution to reserves of £1.445 million towards the anticipated Collection Fund deficit in 2008/09 (approved as part of the Revenue Budget 2009/10 by Full Council). This is a significant turnaround from the Month 9 TBM report which showed a forecast underspend for the year of £1.647m, principally due to increased underspends on the concessionary fares budget, and capital financing costs. The revenue outturn report of 11 June 2009 contains full details.
- 7.2 The forecast underspend reported at Month 9 TBM of £1.647 million was taken into consideration in setting the 2009/10 budget and council tax. The budget approved by Full Council required this underspend to be earmarked to cover projected investment income losses over the next three years due to falling interest rates.
- 7.3 The Director of Finance & Resources is required to keep under review the level of balances and reserves maintained by the council. The following transfers to reserves totalling £2.500 million were recommended to Cabinet and approved at the Cabinet meeting on 11 June 2009:
- i) A carry forward of £0.100 million for the Carers Grant element of Area Based Grant which funds support to both adult and children's carers and support organisations.
 - ii) A carry forward of £0.100 million to provide support for an integrated programme of phase II value for money reviews.
 - iii) An additional £0.250 million to be added to General Reserves to further smooth out investment losses over the three year period as interest rates are expected to remain at low levels for longer than anticipated when setting the budget.
 - iv) An additional £0.250 million to be added to the existing earmarked reserve for Priory House to enable the council to meet its obligations under the terms of the lease.
 - v) The creation of an Accommodation Strategy Reserve of £0.250 million to meet other anticipated one off and invest to save costs in support of the Corporate Accommodation Strategy;
 - vi) An allocation of £0.050 million to secure the Bridge's activities to August 2009 and enable additional work to be undertaken to secure its long term funding. The Bridge is a community education centre.
 - vii) An allocation of £1.500 million to the Building Schools for the Future programme.

The net provisional outturn after adjusting for the above transfers to reserves totalling £2.500 million was £1.588 million.

- 7.4 The actual revenue outturn for 2008/09 is an underspend of £1.863 million, after adjusting for the planned contribution to reserves of £1.445 million approved in the Revenue Budget 2009/10 by Full Council towards the anticipated Collection Fund deficit in 2008/09 and the £2.500 million of transfers to reserves detailed in paragraph 7.3 above. This is an increased underspend of £0.275 million compared with the provisional outturn reported to Cabinet on 11 June 2009. £1.647 million of the £1.863 million underspend has already been committed (see paragraph 7.2 above for further detail). The remaining £0.216 million will therefore be transferred to General Reserves. There are planned contributions from General Reserves in 2009/10 which leaves net unallocated General Reserves of £0.114 million. The actual deficit on the Collection Fund in 2008/09 was £0.162 million compared with the planned contribution of £1.445 million toward meeting the deficit. The difference of £1.283 million will be transferred to General Reserves.

Quarterly capital monitoring reports were also considered by Cabinet in 2008/09. The provisional capital outturn reported to Cabinet on 11 June 2009 showed capital spending for the year of £52.890 million which was within budget. The council endeavours to deliver its capital programme on time (i.e. avoid “slippage”) and as such monitors against a challenging target of spending at least 95% (i.e. maintain slippage below 5%) of the approved capital programme each year. Total outturn slippage amounted to £2.578 million or 4.66% of the budget. No resources have been lost as a result of this slippage.

8 COMMENTARY ON THE STATEMENT OF ACCOUNTS:

8.1 Income and Expenditure Account (I&E)

- 8.1.1 The General Fund balance as at 31 March 2009 remains at £9.0 million, which represents the working balance of the council and is at the level recommended by the District Auditor. In addition there are General Reserves of £2.310 million, including unallocated General Reserves mentioned earlier, and other specific reserves of £0.087 million. There are also earmarked reserves of £58.632 million as detailed in paragraph 8.3.7 below.
- 8.1.2 The implementation of Financial Reporting Standard (FRS) 17 “*Retirement Benefits*” with effect from 2003/04 introduced new entries to the Income and Expenditure Account. FRS17 states that local authorities must recognise future pension liabilities as they are earned. Therefore, the Net Cost of Services and the Net Operating Expenditure in the Income and Expenditure Account have been affected by figures taken from the report of the pension scheme’s actuary. However, it should be noted that FRS17 has no impact on the Council Tax Requirement or on Housing Rent levels.

8.1.3 Dedicated Schools Grant

The Dedicated Schools Grant (DSG) was introduced in 2006/07. The DSG is only used to provide education to the pupils of schools and is not used for any other purpose. There is an underspend of £1.468 million on the use of the Dedicated Schools Grant in 2008/09; this underspend has been carried forward to 2009/10 and is shown within Creditors in the council's Balance Sheet.

8.1.4 Section 75 Health & Social Care Partnerships

Under Section 75 of the Health Act 2006, NHS bodies and local authorities can form partnership arrangements for lead commissioning, integrated provision of services and pooled budgets. Where pooled budgets are in operation and a partner is identified as the lead commissioner and/or provider, that partner is required to disclose Memorandum Accounts in respect of pooled budget activity. Brighton & Hove City Council is the lead commissioner/provider for two services as follows:

- i) From 1 April 2006 the arrangements for learning disability services were amended with the council, from this point, acting as the Lead Commissioner and the Lead Provider of these services.
- ii) From 1 October 2006 the City Council, the PCT and South Downs Health NHS Trust (SDHT) established a partnership to commission and provide services for children and young people and improve their wellbeing. The council is the lead commissioner and lead provider of services. The council's contribution is shown in the Income and Expenditure Account under Children's and Education Services. The Children & Young People Trust (CYPT) did not pool budgets until 1 April 2007.

8.2 **Housing Revenue Account (HRA)**

8.2.1 This account reflects the statutory requirement to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure – maintenance, administration, and capital financing costs - and how these are met by rents, subsidy and other income.

8.2.2 The 2008/09 outturn for the HRA shows a net deficit of £1.748 million. The HRA reserves now stand at £3.902 million, which is well in excess of the recommended minimum level of balances of £2 million.

8.3 **Balance Sheet (BS)**

8.3.1 This statement is particularly technical, which is unavoidable given the requirement to observe the Code of Practice and the complex capital

accounting, financial instrument and pension reporting standards. There are explanatory notes to the Balance Sheet in the Statement of Accounts.

8.3.2 Fixed Assets (awaiting completion of note 21)

Total fixed assets have decreased from £1,869.166 million as at 31 March 2008 to £1,808.534 million as at 31 March 2009. The movements in fixed assets are detailed in the notes to the core financial statements. The movement of £60.6m relates to the following:

- An increase of £43.547 million for additions to fixed assets which reflects the significant capital investments
- Fixed asset revaluations of £130.087 million
- Impairment of fixed assets of £193.301 million
- disposal of fixed assets of £1.668 million
- depreciation charges of £39.305 million.

Gains and losses on the disposal of fixed assets are charged to the Income & Expenditure Account but then reversed back out through the Statement of Movement on the General Fund Balance to ensure they do not impact on the Council Tax demand. However, the cost of disposal remains as a charge to revenue.

8.3.3 Deferred Consideration

Deferred consideration relates to the three schools that are part of the Grouped Schools Private Finance Initiative (PFI) contract together with the PFI for the Central Library. The balance of £18.799 million represents the notional value of the leases granted by the council to the PFI providers for the three school sites and the central library. The balance will be written down each year to revenue over the life of the PFI contracts.

8.3.4 Borrowing

In accordance with the CIPFA Code on Treasury Management, the management of the council's borrowing portfolio is based on a consolidated approach and not by individual services. The level of borrowing has decreased in the year by £44.063 million. Gross new long-term borrowing within the year totalled £3 million and has been applied to part fund capital payments; £47.017 million of debt was repaid in 2008/09. Gross new short term borrowing within the year totalled £21.350m while repayment of short term borrowing totalled £21.350m. The level of debt attributable to council services totals £195.714 million as at 31 March 2009 (£239.777 million 31 March 2008).

8.3.5 Government Grants Deferred (GGD)

GGD represents grants and external contributions that have been used to finance expenditure on the council's fixed assets. As the value of the asset is reduced by depreciation, so the value of the GGD account is reduced to offset the depreciation charged. GGD increased from £74.818 million at 31 March 2008 to £80.004 million at 31 March 2009.

8.3.6 Revaluation Reserve

This represents any upward revaluations of assets in accordance with the Code of Practice. Any impairment of assets is also reflected in this account only to the extent that it can be offset against previous upward revaluation of the asset. Any excess impairment is charged to the Income and Expenditure Account. The reserve stands at £162.710 million as at 31 March 2009.

8.3.7 Earmarked Reserves

These represent funding that has been set aside for a specific purpose. The balance of £59.790 million at 31 March 2008 decreased to £58.632 million at 31 March 2009. Details of Earmarked Reserves held can be found in the notes to the core financial statements.

8.3.8 Schools' balances

Schools' balances have decreased by £0.078 million from £2.740 million at 31 March 2008 to £2.662 million at 31 March 2009. All schools have the right to carry forward surpluses and overspends, within agreed limits, which will be added to, or taken from their school budget share. The £2.662 million balance includes phases as follows: - primary schools £1.536 million, secondary schools £1.168 million, special schools -£0.048 million and nursery schools £0.006 million.

There is an overall decrease in carry forwards; however, the split across phases shows variations as follows: - primary schools increased by £0.406 million, secondary schools decreased by £0.629 million, special schools increased by £0.138 million and nursery schools increased by £0.007 million. In total there are 12 schools (out of 72) with deficit balances (17% of total schools) and the split of these is as follows: - 8 primary schools (15% of primary schools), 1 secondary school (11% of secondary schools), 2 special schools (33% of special schools) and 1 nursery school (50% of nursery schools). School budget plans for 2009/10 will incorporate these overspends and the council's Schools Finance Team are working closely with schools to identify those who are likely to require licensed deficits (approval to overspend) in the coming year.

8.3.9 Landfill Allowance Trading Scheme (LATS)

In order to reduce the amount of biodegradable waste (for example, kitchen and garden waste, paper and card) going to landfill, the government has issued tradable landfill allowances to waste disposal authorities to landfill a reducing number of tonnes for each year from 2005/06 to 2019/20. The council has valued the allowances for 2008/09 at £1 each. The council's allocation for 2008/09 was 52,427 tonnes, valued at £0.052 million based on trading activities between councils. An estimated 37,088 tonnes were actually landfilled (£0.037 million), leaving 15,339 tonnes (£0.015 million) surplus allowances carried forward in an earmarked reserve to be used in future years. Authorities that landfill more than their permitted allowance can either purchase additional allowances from other waste disposal authorities or pay to the government a financial penalty of £150 per tonne.

8.3.10 Pensions Liability

Financial Reporting Standard (FRS) 17 is referred to in paragraph 8.1.2. The pensions liability (net of Pensions Assets) was £76.242 million at 31 March 2008 and it increased by £62.627 million to £138.869 million at 31 March 2009. This liability is offset by a Pensions Reserve.

8.4 **Provisions and Contingent Liabilities**

8.4.1 Provisions have been made in the accounts for liabilities existing at the 31 March 2009 that are reasonably certain and can be estimated with reasonable accuracy. Provisions are included for the following:-

- i) **S117 Mental Health Act 1983** - following a ruling in August 2002, local authorities were unable to charge for accommodation provided under Section 117 of the Mental Health Act 1983. The council, like many other local authorities, had been charging for a long period of time and this provision has been set up to meet the liabilities of the repayment of these charges.
- ii) **Maintenance of Graves** - this provision relates to sums donated by members of the public to care for and maintain graves in perpetuity.
- iii) **Single Status Liability Provision** - this provision was set up in 2008/09 and relates to a potential future liability in relation to single status for amounts that may be payable to persons who have left the council's employment

8.4.2 Contingent Liabilities are included where there is a possible loss which is not recognised in the accounts because it cannot be accurately estimated or because the event giving rise to the possible loss is not considered sufficiently certain. The majority of these claims are not considered material and will therefore have no material effect on the council's financial position. Contingent liabilities are included for the following:-

- i) **Equal Pay Claims** – a contingent liability is recognised in respect of equal pay claims. The council's Governance Committee approved a proactive approach to managing potential equal pay back pay liabilities at its meeting on 13 January 2009, which was ratified by Full Council on 29 January 2009. The associated budget provision was considered by Cabinet on 12 February 2009 and approved by Full Council on 26 February 2009. The accounts include the costs of the equal pay back pay settlement offer, paid to employees during March 2009, together with provision for payments over to HMRC for tax and national insurance contributions. A provision is also included for employees who were due an equal pay back pay settlement but left the council's employment within 6 months of the settlement date (31 March 2009). There may be other potential liabilities relating to equal pay back pay that are outside of the formal settlement offer made by the council. These liabilities could only arise as a result of formal grievance processes and/or employment tribunals and cannot therefore be estimated with any accuracy at the balance sheet date.

- ii) **Insurance claims** – a contingent liability is recognised in respect of outstanding and potential insurance claims where it is not possible to accurately estimate the timing or value of claims. However, the council's Insurance Reserve includes cover for potential liabilities based on past experience and professional assessment of current and potential liabilities.

- iii) **Concessionary Bus Fares** - the council has a contingent asset in relation to concessionary bus fares for an unresolved judicial review against a fixed determination payment for Brighton & Hove Buses in 2007/08. The judicial review is not being contested however the Department for Transport will not be issuing a re-determination until after general challenges made by bus operators on the principles of all concessionary travel schemes for 2007/08 and 2008/09 have been heard. If the general challenges made by the bus operators are unsuccessful the council can expect a re-determination which may produce a payment from Brighton & Hove Buses to the council.

9 EVALUATION OF ALTERNATIVE OPTIONS

- 9.1 There is a provision within the Accounts and Audit (Amendment) Regulations 2006 covering the non-approval of the statement of accounts by the 30 June. In such cases, a further meeting of the Audit Committee should be held within 20 working days to consider the annual accounts. Where the meeting does not resolve to approve the accounts, the council is required, as soon as reasonably practicable, to publish a statement as to the reasons why it cannot approve the accounts.

10 REASONS FOR REPORT RECOMMENDATIONS

- 10.1 It is a statutory requirement of the current Accounts and Audit Regulations that the council's 2008/09 Statement of Accounts should be approved by Members by the 30 June 2009.

11 CONSULTATION

- 11.1 The purpose of this report is to present the council's Statement of Accounts for 2008/09. There has been no external consultation. Residents of Brighton & Hove are able to inspect the accounts during the period 29 June 2009 to 24 July 2009.

12 FINANCIAL & OTHER IMPLICATIONS

Financial Implications:

- 12.1 Included in the body of the report.

Finance Officer Consulted: Jane Strudwick

Date: 25/06/09

Legal Implications:

- 12.2 The main statutory requirements relating to the Statement of Accounts are summarised in the report, but it is also necessary to note that the Statement of Accounts must be signed and dated by the person presiding at the committee meeting which approves the Statement of Accounts. There are no specific human rights implications to which members' attention need be drawn.

Lawyer Consulted: Oliver Dixon

Date: 25/06/09

Equalities Implications:

- 12.3 There are no equalities implications arising directly from this report. The Statement of Accounts is a statutory publication and is available for the public inspection at the council's main offices and public libraries. Information on the accounts will, as far as possible, be provided in a manner that meets the needs of those requesting information.

- 12.4 An annual report will also be published including summary accounts.

Sustainability Implications:

- 12.5 There are no direct environmental implications arising from this report. However, it is believed that the reputation of the council's framework and its ability to demonstrate sound financial management could have an impact on

the willingness of other funding partners to invest in and with the council. This could affect the level of inward investment in respect of projects that contribute towards sustainability.

Crime & Disorder Implications:

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

Risk and Opportunity Management Implications:

- 12.7 There has been no direct risk assessment for this report. However, the management of the closure of the council's accounts and the preparation of these complex annual accounting statements are subject to full risk assessment and review.

Corporate / Citywide Implications:

- 12.8 Any material changes resulting from the conclusion of the audit will be reported to the Audit Committee. The quality and accuracy of the Statement of Accounts may impact on the council's score under the Comprehensive Area Assessment framework.

SUPPORTING DOCUMENTATION

Appendices:

None.

Documents in Members' Rooms:

1. Statement of Accounts 2008/09 (copy circulated separately to Members).

Background Documents:

None.



Brighton & Hove City Council

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Date: 30 June 2009
Our Ref:
Your Ref:
Phone: (01273) + phone number
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Dear Helen

Assurances to Support the Financial Statements 2008/09

I am writing with reference to your report to the Audit Committee on 19 May 2009, "Assurances to support the Financial Statements 2008/09", which sets out relevant assurances from those charged with governance required by external auditors under the International Standards on Auditing (ISA). These assurances are provided below, representing BHCC's formal response from those charged with governance, which, for the purposes of financial statements, is the Audit Committee.

As in previous years, the Audit Committee have considered the nature and extent of any significant internal and external operational, financial, compliance, fraud or other risks facing the council which might have an impact on the financial statements. These risks have been addressed in both the planning process for the audit of the financial statements (where officers and auditors have discussed key risks) and, to the extent that it is necessary, in the production of the financial statements. The process for the production of the Annual Governance Statement should also mean that all key risks which would relate to the financial statements have been considered. Specific assurances are given below as required by the ISAs.

Fraud Risk (ISA 240)

External Auditors require a description from the Audit Committee of the way it exercises oversight of management's processes for identifying and responding to the risks of fraud and how the internal control framework established by management has mitigated those risks. The response to this is given below:

This responsibility is exercised through the effective functioning of the Audit Committee, the constitution and operation of which follows CIPFA guidelines. The CFO and Head of Audit & Business Risk (HABR) attend all meetings of the Audit Committee to discuss and review findings of Internal and External Audit reviews and the level of adequacy of management's response. The Audit Committee also consider the Annual Governance Statement and the actions taken and proposed in relation to improving governance and controls. The committee also reviews the Internal Audit Strategy and Annual Plan and is able to comment on areas proposed for review. The council's Corporate Risks are regularly reviewed by the committee and the council's Risk and Opportunity Management Framework ensures that fraud risk would be escalated through to the committee if appropriate. Ad-hoc meetings between the Chair and the HABR and/or CFO also take place where necessary.

Roles and responsibilities of members and officers are clearly set out in Codes of Conduct, the Scheme of Delegation, Anti Fraud and Corruption Strategy and in the Risk & Opportunity Management Strategy which also describe the relevant registers, declarations and escalation processes to be complied with.

Further, the Audit Committee declares that it has no knowledge of any actual, suspected or alleged fraud that could affect the council in relation to the 2008/09 financial statements.

Compliance with Laws and Regulations (ISA 250)

External Auditors require an understanding as to whether the Audit Committee are on notice of any such possible instances of non-compliance with laws or regulations under which the council operates. The response to this is given below:

The Audit Committee declares that it has no knowledge of and is not on notice of any non-compliance with laws and regulations that could impact on the 2008/09 financial statements.

Going Concern (ISA 570)

External Auditors require an explanation of the means by which the Audit Committee have satisfied themselves that:

- the going concern basis should be used in preparing the financial statements; and
- the financial statements contain such disclosures, if any, relating to going concern as are necessary for them to present fairly the financial position of the Council at its year end.

The response to this requirement is given below:

The Audit Committee have satisfied themselves in relation to the application of the going concern concept and related disclosures. The Audit Committee reviewed the unaudited accounts at their meeting on 30 June 2009 and received a covering report from the Director of Finance & Resources setting out the key risks, policies and concepts applicable to the accounts which are also set out in the explanatory foreword to the accounts. The Audit Committee approved the accounts and the applicable accounting policies and disclosures taking into account information about the council's financial standing, financial risks and advice from officers. The

committee has also reviewed various financial risks including the financial outlook and the associated risk assessment of the council's Medium Term Financial Strategy and considers that the council has appropriate risk management plans and actions in place to ensure its medium term financial health. It is therefore the view of the Audit Committee that the accounts should be prepared on a going concern basis.

Yours sincerely,

Leslie Hamilton
Chair of the Audit Committee

